BANK OF BRITISH COLUMBIA

Statement of Revenue and Expenses

For the six months ended April 30, 1970 (unaudited)

Revenue:	
Income from loans	$2,299,795
Income from securities	903,978
Other operating revenue	139,715
Total revenue	3,343,488
Expenses:	
Interest on deposits	1,755,522
Salaries, pension contributions and other staff benefits	631,852
Property expenses, including depreciation	204,556
Other operating expenses, including provision for losses on loans based on estimated three-year average loss experience	405,478
Total expenses	2,997,408
Balance of revenue	346,080
Appropriation for losses	162,000
Balance of profits before income taxes	184,080
Provision for income taxes relating thereto	78,000
Balance of profits for the period	$ 106,080

BANK OF BRITISH COLUMBIA

SEMI-ANNUAL REPORT

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AR29

REPORT TO SHAREHOLDERS

We are pleased to report that the balance of revenue for the half-year ended April 30th, 1970, at $346,080, was almost three times greater than for the full year ended October 31st, 1969, reported to our shareholders in the Second Annual Report.

This much improved earning picture was the result of excellent growth in the Bank's assets to over $90 million compared to $74 million at the end of October last. We are hopeful that increases in both earnings and assets during the remainder of the year will continue. However, in a climate of changing economic conditions and a period of rising unemployment, it is premature to forecast that the growth rate will be maintained.

Since the year-end, two branches in the Interior of the Province have been opened at Kelowna and Kamloops and from the response that we have received thus far, we can say that both of these units will make a valuable contribution to the Bank's earnings in the foreseeable future. Owing to the unsettled conditions in the construction industry, we may not be able to open further branches during the present fiscal year. However, we do have a network of 10 branches and have plans for the opening of other units in key locations throughout the Province. These will be announced when opening dates have been scheduled.

ALBERT E. HALL,
Chairman and President.

BANK OF BRITISH COLUMBIA

Statement of Assets and Liabilities
(unaudited)

ASSETS

	April 30, 1970	October 31, 1969
Cash resources:		
Cash and due from banks	$14,742,875	$ 9,428,903
Cheques and other items in transit, net	512,460	465,294
	15,255,335	9;894,197
Securities:		
Securities issued or guaranteed by Canada, at amortized value	5,345,398	3,880,072
Securities issued and guaranteed by provinces, at amortized value	881,860	541,801
Other securities, not exceeding market value	18,398,689	18,960,026
	24,625,947	23,381,899
Loans:		
Day, call and short loans to investment dealers and brokers, secured	10,953,540	13,309,005
Other loans, including mortgages, less provision for losses	37,015,116	24,881,207
	47,968,656	38,190,212
Bank premises at cost, less amounts written off	1,133,103	1,045,071
Securities of and loan to a corporation controlled by the bank	551,729	142,811
Customers' liability under acceptances, guarantees and letters of credit, as per contra	838,328	1,184,991
Other assets	281,831	164,146
	$90,654,929	$74,003,327

LIABILITIES

	April 30, 1970	October 31, 1969
Deposits:		
Deposits by Canada	88,721	119,683
Deposits by a province	5,664,223	7,286,917
Deposits by banks	6,860,066	2,690,769
Personal savings deposits payable after notice, in Canada, in Canadian currency	17,604,561	10,706,439
Other deposits	46,638,834	38,834,445
	76,856,405	59,638,253
Acceptances, guarantees and letters of credit	838,328	1,184,991
Other liabilities	112,227	332,114
Accumulated appropriations for losses (Note)	311,466	311,466
Shareholders' equity:		
Capital:		
Authorized 1,000,000 shares par value $10 each. Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest account	7,400,000	7,400,000
Undivided profits (Note)	30,953	30,953
	12,536,503	12,536,503
	$90,654,929	$74,003,327

NOTE: In order to conform with the monthly reports required by the Bank Act the Appropriation for Losses and Undivided Profits for the six month period ended April 30, 1970 have been applied as reductions in loans in the above Statement.

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Statement of Revenue and Expenses

For the six months ended April 30.
(unaudited)

Revenue:

	1971	1970
Income from loans	$3,043,003	$2,299,795
Income from securities	1,460,750	903,978
Other operating revenue	219,560	139,715
Total revenue	4,723,313	3,343,488

Expenses:

	1971	1970
Interest on deposits	2,541,608	1,755,522
Salaries, pension contributions and other staff benefits	896,437	631,852
Property expenses, including depreciation	284,127	204,556
Other operating expenses, including provision for losses on loans based on estimated four-year (three-year in 1970) average loss experience	598,357	405,478
Total expenses	4,320,529	2,997,408
Balance of revenue	402,784	346,080
Appropriation for losses	180,000	162,000
Balance of profits before income taxes	222,784	184,080
Provision for income taxes relating thereto	110,000	78,000
Balance of profits for the period	$112,784	$106,080

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From the beginning, Bank of British Columbia has strived to offer the greatest possible benefits to its customers . . . good service . . . higher interest rates . . . lower interest on loans . . . and total banking facilities.

If you are not already banking at Bank of British Columbia, why not consider it? You'll be investing in our Province. Money placed with us stays with us . . . right here, working for British Columbians.

A warm welcome awaits you, and as a shareholder of the Bank, we have a very special interest in you. Come grow with us today.

INTERIM REPORT

For the six months ended April 30, 1971 (unaudited)

FILE

Report to Shareholders

We are pleased to report that the balance of revenue for the period ended April 30th, 1971, rose by $56,704 over the same period last year to $402,784. Growth in deposit volume assisted in improved earnings; however, we have been successful in effecting a change in the Bank's asset structure in favour of loans and away from our past large holdings of securities. We are hopeful that a further improvement in earnings will be evident over the balance of the year.

Our Province has experienced depressed economic conditions and severe unemployment, but I am encouraged that we are now in an economic recovery. We subsequently expect continued growth in both assets and earnings but it is increasingly difficult to contain the Bank's operating costs.

Since the year-end, three new branches have been opened, namely, 937 West Georgia, Vancouver; North Vancouver; and Vernon in the Interior of the Province bringing to 13 the number of branch offices in operation. During the next few months we expect to open branches at Chilliwack and Cranbrook as well as additional branches in Greater Vancouver. Our branch development program last year was curtailed owing to unsettled conditions in the construction industry and therefore branch openings this year will likely be greater in number than for a normal year.

A.E. Hall
Chairman and President

Bank of British Columbia
Come grow with us today.

Statement of Assets and Liabilities (unaudited)

ASSETS

	April 30, 1971	April 30, 1970
Cash resources:		
Cash and due from banks	$17,751,780	$14,742,875
Cheques and other items in transit, net	42,187	512,460
	17,793,967	15,255,335
Securities:		
Securities issued or guaranteed by Canada, at amortized value	7,926,824	5,345,398
Securities issued or guaranteed by provinces, at amortized value	3,301,860	881,860
Other securities, not exceeding market value	22,261,178	18,398,689
	33,489,862	24,625,947
Loans:		
Day, call and short loans to investment dealers and brokers, secured	12,759,955	10,953,540
Other loans, including mortgages, less provision for losses	79,903,907	37,361,196
	92,663,862	48,314,736
Bank premises at cost, less amounts written off	1,338,124	1,133,103
Securities of and loan to a corporation controlled by the bank	726,921	551,729
Customers' liability under acceptances, guarantees and letters of credit, as per contra	1,023,192	838,328
Other assets	180,386	281,831
	$147,216,314	$ 91,001,009

LIABILITIES

	April 30, 1971	April 30, 1970
Deposits:		
Deposits by Canada	$ 1,243,397	$ 88,721
Deposits by a province	3,069,497	5,664,223
Deposits by banks	14,154,712	6,860,066
Personal savings deposits payable after notice, in Canada, in Canadian currency	23,511,284	17,604,561
Other deposits	90,599,901	46,638,834
	132,578,791	76,856,405
Acceptances, guarantees and letters of credit	1,023,192	838,328
Other liabilities	446,372	458,307
Accumulated appropriations for losses (Note)	474,118	311,466
Shareholders' equity:		
Capital:		
Authorized 1,000,000 shares par value $10 each. Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest account	7,550,000	7,400,000
Undivided profits (Note)	38,291	30,953
	12,693,841	12,536,503
	$147,216,314	$ 91,001,009

Note: The Bank Act now requires that undivided profits and appropriation for losses for interim periods be included under the heading "Other Liabilities". As this represents a change in the reporting requirement we have restated the April 30, 1970 figures for purposes of comparison.

Statement of Revenue and Expenses

For the six months ended April 30.
(unaudited)

	1972	1971
Revenue		
Income from loans	$5,044,012	$3,043,003
Income from securities	763,311	1,460,750
Other operating revenue	402,662	219,560
Total revenue	6,209,985	4,723,313
Expenses		
Interest on deposits and bank debentures	3,564,626	2,541,608
Salaries, pension contributions and other staff benefits	1,271,536	896,437
Property expenses, including depreciation	389,586	284,127
Other operating expenses, including provision for losses on loans based on estimated five-year (four-year in 1971) average loss experience	775,068	598,357
Total expenses	6,000,816	4,320,529
Balance of revenue	209,169	402,784
Appropriation for losses	60,000	180,000
Balance of profits before income taxes	149,169	222,784
Provision for income taxes relating thereto	75,000	110,000
Balance of profits for the period	74,169	112,784

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Bank of British Columbia's full range of services includes:

Bank-by-mail
Non chequing Savings Accounts
Certificates of Deposit
Personal Chequing Accounts
Current Accounts
Personal Loans
Mobile Home Loans
Student Loans
Home Improvement Loans
Mortgage Loans
Business Loans
Farm Improvement Loans
Fisheries Improvement Loans
Commercial Letters of Credit
Foreign Exchange Transactions
Foreign Currency
Travellers Cheques
Travellers Letters of Credit
Money Orders
Securities Transactions
Safety Deposit Boxes
Safekeeping
Night Depository

Bank of British Columbia
Come grow with us today.

Bank of British Columbia

INTERIM REPORT

For the six months ended April 30, 1972 (unaudited)

Report to Shareholders

We wish to report that the balance of revenue for the period ended April 30th, 1972, amounted to $209,169. This is a decrease of $193,615. compared with the same period last year and the result was not unexpected due to the large number of branches opened during the last six months of the fiscal year ended October 31st, 1971. In fact, the General Manager, in his remarks at the Annual Meeting, stated that new branch openings represent a drain on income in their early development stages and we, of course, opened more branches than normal during this period owing to construction delays in the previous year. New branches have been curtailed for this fiscal year and we anticipate that there will be an important turnaround in the Bank's net earnings for the last half of this year.

Another contributing factor to reduced earnings for the half year just closed was the non-recurring sizeable bond trading profits during the same six months in the previous year. In addition to this, interest rates have been high in the term deposit area and at a cost which almost equals our prime lending rate.

The growth of the Bank has continued as reflected by the Bank's assets which now exceed $208 million compared to $147 million as at the end of the same period last year. On November 15th, 1971, the Bank raised $5 million by way of a debenture issue and this amount has been added to the capital of the Bank which assists us in handling larger loaning situations.

With the added growth of the Bank, coupled with the fact that our new branches will be progressively turning into a profit-earning basis, we are confident that the next six months will reflect better earnings for our shareholders.

A.E. Hall
Chairman and President

Statement of Assets and Liabilities (Unaudited)

ASSETS

	April 30, 1972	April 30, 1971
Cash resources		
Cash and due from banks	$27,535,429	$17,751,780
Cheques and other items in transit, net	8,729,681	42,187
	36,265,110	17,793,967
Securities		
Securities issued or guaranteed by Canada, at amortized value	4,021,449	7,926,824
Securities issued or guaranteed by provinces, at amoritzed value	922,822	3,301,860
Other securities, not exceeding market value	11,416,383	22,261,178
	16,360,654	33,489,862
Loans		
Day, call and short loans to investment dealers and brokers, secured	18,825,664	12,759,955
Other loans, including mortgages, less provision for losses	122,247,778	79,903,907
	141,073,442	92,663,862
Bank premises at cost, less amounts written off	1,504,609	1,338,124
Securities of and loan to a corporation controlled by the bank	771,266	726,921
Customers' liability under acceptances, guarantees and letters of credit, as per contra	11,671,329	1,023,192
Other assets	379,962	180,386
	$208,026,372	$147,216,314

LIABILITIES

	April 30, 1972	April 30, 1971
Deposits		
Deposits by Canada	2,147,354	1,243,397
Deposits by a province	7,339,328	3,069,497
Deposits by banks	27,597,704	14,154,712
Personal savings deposits payable after notice, in Canada, in Canadian currency	33,473,193	23,511,284
Other deposits	106,603,109	90,599,901
	177,160,688	132,578,791
Acceptances, guarantees and letters of credit	11,671,329	1,023,192
Other liabilities	414,628	446,372
Accumulated appropriations for losses	935,797	474,118
Capital Funds		
Debentures issued and outstanding (7½% November 15, 1991)	5,000,000	—
Capital stock		
Authorized 1,000,000 shares, par value $10 each.		
Issued and fully paid 510,555 shares	5,105,550	5,105,550
Rest account	7,700,000	7,550,000
Undivided profits	38,380	38,291
	17,843,930	12,693,841
	$208,026,372	$147,216,314

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Bank of British Columbia

Interim Report
For the six months ended April 30, 1973 (Unaudited)

Report to the Shareholders

We are pleased to submit to you our unaudited financial statements for the six month period ended April 30, 1973. Balance of revenue amounted to $476,720, an increase of $267,551 or 128% compared to the corresponding period of last year.

This increase in revenue reflects a continued strong growth in assets. Total assets now exceed $268 million compared to $208 million as at the end of the same period last year, a growth of 29%.

The results for the first six months are encouraging, but it is recognized that economic and monetary conditions affect the Bank's profitability. Therefore, while earnings forecast for the full year appear favourable, they will be dependent upon conditions prevailing in the last half of this year.

The Bank now has twenty-two branches, two of which were opened during this six-month period. Three more branches are committed for the balance of this year.

A. E. Hall
Chairman and President

Statement of Revenue and Expenses
For the six months ended April 30.
(Unaudited)

	1973	1972
Revenue		
Income from loans	$7,508,407	$5,044,012
Income from securities	614,203	763,311
Other operating revenue	638,987	402,662
Total revenue	$8,761,597	$6,209,985
Expenses		
Interest on deposits and bank debentures	$4,918,240	$3,564,626
Salaries, pension contributions and other staff benefits	1,820,192	1,271,536
Property expenses, including depreciation	443,288	389,586
Other operating expenses, including provision for losses on loans based on estimated five-year average loss experience	1,103,157	775,068
Total expenses	$8,284,877	$6,000,816
Balance of revenue	$ 476,720	$ 209,169
Appropriation for losses	220,000	60,000
Balance of profits before income taxes	$ 256,720	$ 149,169
Provision for income taxes relating thereto	123,000	75,000
Balance of profits for the period	$ 133,720	$ 74,169

Bank of British Columbia

Bank of British Columbia's full range of services includes:

- Bank-by-mail
- High Interest B.C. Banksavings Accounts
- Chequing Savings Accounts
- Certificates of Deposit
- Personal Chequing Accounts
- Current Accounts
- Personal Loans
- Mobile Home Loans
- Pleasure Boat Loans
- Student Loans
- Home Improvement Loans
- Mortgage Loans
- Business Loans
- Farm Improvement Loans
- Fisheries Improvement Loans
- Commercial Letters of Credit
- Foreign Exchange
- Travellers Cheques
- Travellers Letters of Credit
- Money Orders
- Securities Transactions
- Safety Deposit Boxes
- Safekeeping
- Night Dispository

Statement of Assets and Liabilities (Unaudited)

ASSETS

	April 30, 1973	April 30, 1972
Cash resources:		
Cash and due from banks	$ 32,623,040	$ 27,535,429
Cheques and other items in transit, net	5,484,010	8,729,681
	$ 38,107,050	$ 36,265,110
Securities:		
Securities issued or guaranteed by Canada, at amortized value	$ 6,446,436	$ 4,021,449
Securities issued or guaranteed by provinces, at amortized value	1,420,668	922,822
Other securities, not exceeding market value	10,588,742	11,416,383
	$ 18,455,846	$ 16,360,654
Loans:		
Day, call and short loans to investment dealers and brokers, secured	$ 26,841,933	$ 18,825,664
Other loans, including mortgages, less provision for losses	179,271,941	122,247,778
	$206,113,874	$141,073,442
Bank premises at cost, less amounts written off	$ 1,673,647	$ 1,504,609
Securities of and loan to a corporation controlled by the Bank	641,817	771,266
Customers' liability under acceptances, guarantees and letters of credit, as per contra	2,735,163	11,671,329
Other assets	349,426	379,962
	$268,076,823	$208,026,372

LIABILITIES

	April 30, 1973	April 30, 1972
Deposits:		
Deposits by Canada	$ 4,672,558	$ 2,147,354
Deposits by a province	12,615,307	7,339,328
Deposits by banks	40,418,756	27,597,704
Personal savings deposits payable after notice, in Canada, in Canadian currency	42,233,362	33,473,193
Other deposits	145,327,638	106,603,109
	$245,267,621	$177,160,688
Acceptances, guarantees and letters of credit	$ 2,735,163	$ 11,671,329
Other liabilities	695,162	414,628
Accumulated appropriations for losses	1,332,513	935,797
Capital Funds:		
7½ % Debentures issued and outstanding (redeemable at holder's option in 1977, maturing 1991)	$ 5,000,000	$ 5,000,000
Capital Stock:		
Authorized 1,000,000 shares, par value $10 each.		
Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest account	7,900,000	7,700,000
Undivided profits	40,814	38,380
	$ 18,046,364	$ 17,843,930
	$268,076,823	$208,026,372

Bank of British Columbia

Statement of Revenue and Expenses

For the six months ended April 30 (Unaudited)

	1974	1973
Revenue:		
Income from loans	$15,705,974	$7,508,407
Income from securities	742,155	614,203
Other operating revenue	1,096,471	638,987
Total Revenue	$17,544,600	$8,761,597
Expenses:		
Interest on deposits and bank debentures	$11,363,709	$4,918,240
Salaries, pension contributions and other staff benefits	3,181,503	1,820,192
Property expenses, including depreciation	666,305	443,288
Other operating expenses, including provision for losses on loans based on estimated five-year average loss experience	1,766,605	1,103,157
Total Expenses	$16,978,122	$8,284,877
Balance of Revenue	$ 566,478	$ 476,720
Provision for income taxes related thereto	283,000	238,000
Balance of Revenue after provision for income taxes	$ 283,478	$ 238,720

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Bank of British Columbia

Bank of British Columbia's full range of services includes:

Pioneer Service Plan
Western Account
WestBank Savings Account
Chequing Savings Accounts
Personal Chequing Accounts
Certificates of Deposit
Current Accounts
WestBank Loans
Mobile Home Loans
Pleasure Boat Loans
Student Loans
Home Improvement Loans
Business Loans
Farm Improvement Loans
Fisheries Improvement Loans
Mortgage Loans
Money Orders
Night Depository
Safety Deposit Boxes
Safekeeping
Travellers Cheques
Travellers Letters of Credit
Commercial Letters of Credit
Securities Transactions
Foreign Exchange
Bank-by-mail

Bank of British Columbia

Canada's Western Bank

Interim Report

For the Six Months ended April 30th, 1974 (Unaudited)

Report to the Shareholders

Strong growth in the volume of our business continued during the second quarter of the fiscal year. We are pleased to report that balance of revenue for the six months period ended April 30, 1974 amounted to $566,478, an increase of $ 89,758 or 18.8% over the same period last year. Total assets increased to $405 million compared to $268 million as at April 30, 1973.

The results for the first six months are generally in line with our forecasts and continue to reflect rising operating and salary costs. Bearing in mind the strong inflationary pressures and uncertain economic conditions, it is emphasized that interim results are not necessarily indicative of the trend of earnings for the full year.

Our new branches in Calgary and Edmonton have produced very satisfying growth in their first three months of operations. Our second Calgary branch in the Alberta Place Building at 17th Avenue and 4th Street S.W. is now scheduled for late July. We received a most favourable reception in White Rock, where we opened our newest branch on April 4th and the expectation is that this branch will become an early earnings producer for your Bank.

A.E. Hall
Chairman and Chief Executive Officer

Statement of Assets and Liabilities (Unaudited)

ASSETS

	April 30, 1974	April 30, 1973
Cash resources:		
Cash and due from banks	$ 53,361,303	$ 32,623,040
Cheques and other items in transit, net	15,666,504	5,484,010
	$ 69,027,807	$ 38,107,050
Securities:		
Securities issued or guaranteed by Canada, at amortized value	$ 10,888,031	$ 6,446,436
Securities issued or guaranteed by provinces, at amortized value	568,089	1,420,668
Other securities, not exceeding market value	11,905,382	10,588,742
	$ 23,361,502	$ 18,455,846
Loans:		
Day, call and short loans to investment dealers and brokers, secured	$ 26,614,202	$ 26,841,933
Other loans, including mortgages, less provision for losses	278,674,523	179,271,941
	$305,288,725	$206,113,874
Bank premises at cost, less amounts written off	$ 2,480,656	$ 1,673,647
Securities of and loans to a corporation controlled by the Bank	626,268	641,817
Customers' liability under acceptances, guarantees and letters of credit, as per contra	3,954,388	2,735,163
Other assets	310,420	349,426
	$405,049,766	$268,076,823

LIABILITIES

	April 30, 1974	April 30, 1973
Deposits:		
Deposits by Canada	$ 1,394,265	$ 4,672,558
Deposits by a province	3,910,131	12,615,307
Deposits by banks	51,907,275	40,418,756
Personal savings deposits payable after notice, in Canada, in Canadian currency	75,095,451	42,233,362
Other deposits	247,123,141	145,327,638
	$379,430,263	$245,267,621
Acceptances, guarantees and letters of credit	$ 3,954,388	$ 2,735,163
Other liabilities	1,877,675	695,162
Accumulated appropriations for losses	1,582,546	1,332,513
Capital Funds:		
7½% Debentures issued and outstanding (redeemable at holder's option in 1977, maturing 1991)	5,000,000	5,000,000
Capital stock:		
Authorized 1,000,000 shares, par value $10 each. Issued and fully paid, 510,555 shares	5,105,550	5,105,550
Rest Account	8,050,000	7,900,000
Undivided profits	49,344	40,814
	$ 18,204,894	$ 18,046,364
	$405,049,766	$268,076,823

Bank of British Columbia

AR29

Bank of British Columbia

Canada's Western Bank

INTERIM REPORT
For the six months ended April 30th, 1976 (Unaudited)

Report to the Shareholders

Personal notice deposits have increased from $130 Million to $218 Million, an increase of 67% from a year ago. Total assets reached $730 Million, an increase of 35% over the same period last year. A continuation of the high interest rate structure which was noted in our January 31, 1976 interim report has produced a second quarter which is again characterized by a high cost of funds and narrower spreads. However, the growth in assets has enabled the bank to produce a second quarter per share balance of revenue after income taxes of 80¢, equal to that of the last quarter despite an increase in the tax rate. The balance of revenue after provision for income taxes for the six month period of $1,222,000 represents an increase of 54% over the corresponding period last year.

As planned, we have opened two new branches in the Edmonton area, bringing the total number of domestic branches to thirty-three.

Uncertain economic conditions make it imprudent to predict year end results, however, we are hopeful of maintaining steady growth in both earnings and assets.

A. E. Hall
Chairman and Chief Executive Officer

Bank of British Columbia's full range of services includes:

- Inflation Fighter Certificates
- Inflation Fighter Savings Accounts
- Pioneer Service Plan
- Community Service Accounts
- Western Accounts
- WestBank Savings Accounts
- Chequing Savings Accounts
- Personal Chequing Accounts
- Certificates of Deposit
- Current Accounts
- WestBank Retirement Savings Plan
- WestBank Home Ownership Savings Plan
- WestBank Loans
- Automobile Loans
- Mobile Home Loans
- Pleasure Boat Loans
- Recreational Vehicle Loans
- Student Loans
- Home Improvement Loans
- Business Loans
- Farm Improvement Loans
- Fisheries Improvement Loans
- Mortgage Loans
- Drafts
- Money Orders
- Money Transfers
- Night Depository
- Safety Deposit Boxes
- Safekeeping
- Travellers Cheques
- Commercial Letters of Credit
- Securities Transactions
- Foreign Exchange
- Bank-by-mail
- Bankers' Acceptances

Bank of British Columbia

STATEMENT OF REVENUE AND EXPENSES

(Unaudited)

	For the Three Months Ended April 30, **1976**	April 30, **1975**	For the Six Months Ended April 30, **1976**	April 30, **1975**
	(in thousands of dollars)		(in thousands of dollars)	
REVENUE:				
Income from loans	**$15,551**	$10,911	**$29,649**	$23,141
Income from securities	**1,004**	848	**1,919**	1,806
Other operating revenue	**1,149**	837	**2,210**	1,629
Total revenue	**$17,704**	$12,596	**$33,778**	$26,576
EXPENSES:				
Interest on deposits and bank debentures	**$10,852**	$ 7,258	**$20,670**	$16,913
Salaries, pension contributions and other staff benefits	**3,046**	2,237	**5,895**	4,340
Property expenses, including depreciation	**588**	481	**1,126**	957
Other operating expenses, including provision for losses on loans based on estimated five-year average loss experience	**1,969**	1,490	**3,643**	2,704
Total expenses	**$16,455**	$11,466	**$31,334**	$24,914
Balance of revenue	**$ 1,249**	1,130	**$ 2,444**	$ 1,662
Provision for income taxes related thereto	**636**	593	**1,222**	872
Balance of revenue after provision for income taxes	**$ 613**	$ 537	**$ 1,222**	$ 790
Per share (Note 1)	**.80**	.74	**1.60**	1.25

BALANCE SHEET HIGHLIGHTS as at April 30th

(Unaudited)

	(in thousands of dollars) 1976	1975	Per Cent Increase (Decrease)
Cash and due from banks	**$ 95,636**	$ 97,868	(2.3%)
Securities	**62,479**	40,329	54.9%
Loans	**538,480**	376,851	42.9%
Other assets	**34,390**	25,605	34.3%
Total Assets	**$730,985**	$540,653	35.2%
Personal notice deposits	**$218,312**	$130,448	67.4%
Other Canadian currency deposits	**355,542**	245,108	45.1%
Other currency deposits	**102,375**	120,880	(15.3%)
Other liabilities	**27,933**	22,792	22.6%
Capital funds	**26,823**	21,425	25.2%
Total Liabilities	**$730,985**	$540,653	35.2%

NOTES:

1. The balance of revenue per share figures have been calculated on the weighted monthly average of equivalent fully paid shares, reflecting the rights issue in January 1975. The average number of shares for the three months and six months ended April 30, 1975 was 725,750 and 631,775 respectively. During 1976 there were 765,832 shares outstanding.
2. The balance of revenue is not affected by the anti-inflation guidelines as they apply to banks.

Bank of British Columbia

AR29

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Bank of British Columbia

Canada's Western Bank

INTERIM REPORT
For the six months ended April 30th, 1977 (Unaudited)

Report to the Shareholders

I am pleased to announce that your Bank has reached an important mile-stone in exceeding the $1 Billion level in assets.

The after-tax balance of revenue for the six months ended April 30, 1977 is $2,112,000 compared with $1,222,000 for the corresponding period last year. The comparative per share earnings for the same periods are $2.14 versus $1.60 notwithstanding the increased number of shares outstanding in 1977.

The increased profitability has resulted from a 40% growth in assets with a corresponding growth in revenue while expenses have increased at a lower rate. The increase in personal notice deposits has kept pace with the asset growth rising from $218 Million to $305 Million or a total of 39.8%.

While interest rates have eased slightly during this quarter, the spread between loan rates and the cost of funds has remained constant in relation to the previous quarter.

The third Calgary branch has been opened in the Forest Lawn area bringing the number of Alberta branches to 7 and the total branches to 34. A number of branch locations in British Columbia are being developed for opening within the coming year.

In light of the continuing uncertain economic conditions, it is always unwise to predict full year results at this time. However, it is expected that your Bank will maintain strong growth in both assets and earnings.

T. W. Pilley
Deputy Chairman, President
and Chief Executive Officer

Bank of British Columbia's full range of services includes:

- Bonanza Account
- Inflation Fighter Certificates
- Inflation Fighter Savings Accounts
- Pioneer Service Plan
- Community Service Accounts
- Western Accounts
- WestBank Savings Accounts
- Chequing Savings Accounts
- Personal Chequing Accounts
- Certificates of Deposit
- Current Accounts
- WestBank Retirement Savings Plan
- WestBank Home Ownership Savings Plan
- WestBank Loans
- Automobile Loans
- Mobile Home Loans
- Pleasure Boat Loans
- Recreational Vehicle Loans
- Student Loans
- Home Improvement Loans
- Business Loans
- Farm Improvement Loans
- Fisheries Improvement Loans
- Mortgage Loans
- Drafts
- Money Orders
- Money Transfers
- Night Depository
- Safety Deposit Boxes
- Safekeeping
- Travellers Cheques
- Commercial Letters of Credit
- Securities Transactions
- Foreign Exchange
- Bank-by-mail
- Bankers' Acceptances

Bank of British Columbia

HEAD OFFICE: 1725-TWO BENTALL CENTRE, VANCOUVER, BRITISH COLUMBIA

STATEMENT OF REVENUE AND EXPENSES

(Unaudited)

	For the Three Months Ended April 30, 1977	For the Three Months Ended April 30, 1976	For the Six Months Ended April 30, 1977	For the Six Months Ended April 30, 1976
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
REVENUE:				
Income from loans	**$20,893**	$15,551	**$41,303**	$29,649
Income from securities	**1,509**	1,004	**3,200**	1,919
Other operating revenue	**1,321**	1,149	**2,743**	2,210
Total Revenue	**$23,723**	$17,704	**$47,246**	$33,778
EXPENSES:				
Interest on deposits and bank debentures	**$14,499**	$10,852	**$29,334**	$20,670
Salaries, pension contributions and other staff benefits	**3,738**	3,046	**7,480**	5,895
Property expenses, including depreciation	**708**	588	**1,413**	1,126
Other operating expenses, including provision for losses on loans based on estimated five-year average loss experience	**2,913**	1,969	**5,368**	3,643
Total Expenses	**$21,858**	$16,455	**$43,595**	$31,334
Balance of Revenue	**$ 1,865**	$ 1,249	**$ 3,651**	$ 2,444
Provision for income taxes related thereto	**746**	636	**1,539**	1,222
Balance of revenue after provision for income taxes	**$ 1,119**	$ 613	**$ 2,112**	$ 1,222
Per Share (Note 1)	**$1.11**	$.80	**$2.14**	$1.60

BALANCE SHEET HIGHLIGHTS as at April 30th

(Unaudited)

	(in thousands of dollars) 1977	1976	Per Cent Increase (Decrease)
Cash and due from banks	**$ 90,792**	$ 95,636	(5.1)
Securities	**74,404**	62,479	19.1
Loans	**815,407**	538,480	51.4
Other assets	**44,537**	34,390	29.5
Total Assets	**$1,025,140**	$730,985	40.2
Personal notice deposits	**$ 305,183**	$218,312	39.8
Other Canadian currency deposits	**524,381**	355,542	47.5
Other currency deposits	**126,666**	102,375	23.7
Other liabilities	**36,283**	27,933	29.9
Capital funds	**32,627**	26,823	21.6
Total Liabilities	**$1,025,140**	$730,985	40.2

NOTES

1. The balance of revenue per share figures have been calculated on the weighted monthly average of equivalent fully paid shares, reflecting the rights issue in September 1976. The average number of shares for the three months and six months ended April 30, 1977 was 1,008,001 and 986,037 respectively. During 1976 there were 765,832 shares outstanding.
2. The balance of revenue is not affected by the anti-inflation guidelines as they apply to banks.

Bank of British Columbia

AR29

Canada's Western Bank

Bank of British Columbia

MINUTES OF THE SPECIAL MEETING OF SHAREHOLDERS

November 21, 1984

The Special Meeting of Shareholders of Bank of British Columbia was held on Wednesday, November 21, 1984 at 11:00 o'clock in the forenoon in the Park Ballroom, Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C.

Mr. E.F. Kaiser, Jr., requested the approval of the Meeting to the appointment of himself as Chairman and Mr. T.D. Tutti as Secretary of the Meeting, and the appointment of Mr. Jack Huff and Mrs. Lana Man as Scrutineers to compute the votes of any ballots taken at the Meeting and to report thereon to the Chairman.

It was moved, seconded and resolved that the foregoing appointments be approved.

The Chairman declared that he had received satisfactory proof from the Secretary that Notice of the Meeting had been duly given in accordance with the Bank Act and as a quorum was present, he declared the Meeting properly constituted.

The Chairman stated that the Minutes of the Sixteenth Annual General Meeting of the Shareholders had been published and circulated to all of the Shareholders.

It was moved, seconded and resolved that the Minutes of the Sixteenth Annual General Meeting of the Shareholders of the Bank held on January 10, 1984, copies of which have been mailed to the Shareholders, be taken as if read and adopted.

The Chairman advised that reference to the approval of the Minister of Finance need not be included in the proposed By-laws Nos. 6 and 7 and asked for a motion to amend the Special Resolution.

It was moved, seconded and resolved that the amendments be adopted.

The Chairman requested the Secretary to read the Special Resolution, as amended.

The motion to adopt the Special Resolution was moved and seconded and the Chairman called for a vote by ballot.

Several matters were raised by Shareholders to which the Chairman responded.

The Chairman then stated he had received confirmation of the Scrutineers that in addition to the votes cast by ballot at the Meeting, substantially all of the Shareholders' votes cast by proxy had been cast in favour of the Special Resolution, and he declared the Special Resolution carried by the requisite majority.

There being no further business, the Chairman declared the Meeting terminated.

Canada's Western Bank

Bank of British Columbia

Head Office: 1235 Two Bentall Centre, Vancouver, British Columbia

AR29

BANK OF BRITISH COLUMBIA

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS AND MANAGEMENT PROXY CIRCULAR

as of December 31, 1984

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Bank of British Columbia will be held in The Westin Bayshore, 1601 West Georgia Street, Vancouver, B.C., on Thursday the 31st day of January, 1985, at 11:00 a.m. Pacific Standard Time, for the purposes of:

1. receiving the financial statements for the year ended October 31, 1984;
2. electing Directors;
3. appointing Auditors and fixing their remuneration;
4. transacting such other business as may properly be brought before the Meeting.

Vancouver, B.C.
December 31, 1984

By Order of the Board

PETER H. STAFFORD,
Secretary

Shareholders who are unable to attend the Meeting in person are requested to complete and return the enclosed form of proxy in the envelope provided to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, B.C. not later than the close of business on Tuesday, January 29, 1985.

BANK OF BRITISH COLUMBIA

MANAGEMENT PROXY CIRCULAR

as of December 31, 1984

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by management of Bank of British Columbia (the "Bank") of proxies to be voted at the Annual General Meeting of the Shareholders of the Bank (the "Meeting") to be held on Thursday, January 31, 1985, for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited by employees of the Bank. The cost of this solicitation will be borne by the Bank.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy were designated by the Directors of the Bank. A Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by writing such person's name on the form of proxy and deleting the printed names or by completing another proper form of proxy. A person appointed as proxy need not be a Shareholder of the Bank.

The form of proxy must be signed by the Shareholder, or by his or her attorney authorized in writing. A Shareholder who has given a proxy may revoke it by an instrument in writing, executed by the Shareholder or by his or her attorney authorized in writing, and deposited at the Head Office of the Bank, 1235 - Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia, V7X 1K1 not later than the close of business on January 30, 1985, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING OF PROXIES

Shares represented by a properly executed proxy in favour of persons designated in the attached form of proxy will be voted on a ballot in accordance with the direction contained in the proxy. **In the absence of such direction they will be voted in favour of the election of the Nominees for Directors and the appointment of Auditors.**

The enclosed form of proxy also confers discretionary power on the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. In order to be valid, proxies must be delivered to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, B.C. not later than the close of business on Tuesday, January 29, 1985.

If a proxy, other than those persons named in the enclosed form of proxy is appointed, the Bank assumes no responsibility in respect of whether or not such proxy votes those shares in accordance with instructions.

VOTING RIGHTS

As of December 31, 1984, there were authorized 19,615,239 fully paid issued and outstanding common shares of the Bank without nominal or par value. Each holder of common shares of record as at the close of business on January 2, 1985 will be entitled to one vote in respect of each share held at that time, except as hereinafter described. Provided that the transferee of shares acquired after January 2, 1985, who establishes his ownership of such shares, may require the Bank, not later than ten days prior to the Meeting, to include his name on the list of shareholders entitled to vote at the Meeting. The holders of preferred shares are not entitled to vote at the Meeting.

Under the provisions of the Bank Act, common shares of the capital stock of a bank may not be voted in person or by proxy if

(a) the common shares are held by a resident of Canada for the use or benefit of a non-resident of Canada; or

(b) the common shares of the Bank held by the shareholder together with the total number of common shares held for that shareholder and others associated with him exceed 10% of the outstanding common shares of the Bank; or

(c) the shareholder holds the common share in the name or right of or for the use or benefit of the Government of Canada, or a Province, or an agent thereof (including an official or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund) or the Government of a foreign state or political subdivision, or an agent thereof.

The foregoing is a summary of some of the provisions relating to voting rights. If you require further information in this connection, please forward your request to the Secretary.

To the knowledge of the Directors and Senior Officers of the Bank, no person or corporation beneficially owns, directly or indirectly, shares carrying more than 10% of the votes attached to the issued shares of the Bank.

ELECTION OF DIRECTORS

Nineteen Directors are to be elected at the Meeting by the common shareholders to serve until the next Annual General Meeting of the Shareholders. Unless authority to do so is withheld, the persons named in the accompanying form of proxy intend to vote for the nominees listed below, all of whom are presently Directors. Although the Bank does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy reserve the right to vote in favour of another nominee in their discretion unless otherwise directed.

During the period from November 15, 1983 to November 14, 1984, the Board of Directors held 22 meetings, and the Executive Committee held 14 meetings. The attendance of Directors and Members of the Executive Committee at these meetings is recorded below:

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

Name and Address	Principal Occupation	Director Since	Common Shares Owned (3)	Number of Meetings Attended	
				Board	Executive Committee
Russell James Bennett Westbank, B.C.	President M.W. Stores Ltd. Merchants	May 8, 1967	36,762	17	
Arthur John Block Vancouver, B.C. (1)	President A.R. Holdings Ltd. Investments	May 6, 1980	3,166	15	13
Harry Booth Calgary, Alta. (2)	Chairman & Chief Executive Officer Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Company Ltd. Natural Gas Distribution	July 27, 1976	1,358	18	
Thomas Allan Buell Vancouver, B.C. (1)	Chairman, President & Chief Executive Officer Weldwood of Canada Ltd. Forest Products	May 25, 1976	1,164	18	10
Victor Dobb Vancouver, B.C.	Executive Vice-President of the Bank	December 11, 1984	844		

Name and Address	Principal Occupation	Director Since	Common Shares Owned (3)	Number of Meetings Attended	
				Board	Executive Committee
Alfred William Everett Vancouver, B.C. (2)	Chairman Dominion Vancouver Motors Limited Automobile Dealers	May 6, 1975	42,040	21	
Arthur Fouks, Q.C. Vancouver, B.C. (1)	Associate Counsel Ray, Connell, Lightbody, Reynolds & Heller Barristers & Solicitors Vice-President of the Board Bank of British Columbia	May 22, 1973	24,866	18	14
Albert Earl Hall Vancouver, B.C.	Adviser Bank of British Columbia	January 9, 1968	3,300	21	
Robert Edward Kadlec Vancouver, B.C.	President & Chief Executive Officer Inland Natural Gas Co. Ltd. Distributor of Natural Gas	July 19, 1983	1,000	18	
Edgar Fosburgh Kaiser, Jr. Vancouver, B.C.	Chairman, President & Chief Executive Officer of the Bank	September 25, 1984	1,000,000	6	
John Custance Kerr Vancouver, B.C.	President Lignum Ltd. Lumber Manufacturer	May 10, 1983	6,200	18	
David See-Chai Lam Vancouver, B.C.	Chairman & President Canadian International Properties Ltd. Real Estate	December 11, 1984	166,667		
Beverley Kathleen Lecky Vancouver, B.C.	President Hosmer Holdings Ltd. Investment Company	August 14, 1979	700	17	
John Wallace Madill Calgary, Alta.	Chief Executive Officer Alberta Wheat Pool	August 9, 1977	1,750	14	8
Arthur Hoadley Mitchell Edmonton, Alta. (1)	Chairman Mitchell & Associates Ltd. Oil & Gas Consultants Vice-President of the Board Bank of British Columbia	September 14, 1971	2,040	18	13
Allan Stuart Olson Edmonton, Alta.	President Stuart Olson Construction Ltd. Construction	December 11, 1984			
Bryan Joseph Reynolds Vancouver, B.C. (2)	Partner Lawrence & Shaw Barristers & Solicitors	December 13, 1977	24,580	16	

Name and Address	Principal Occupation	Director Since	Common Shares Owned (3)	Number of Meetings Attended	
				Board	Executive Committee
Peter Paul Saunders Vancouver, B.C. (1)	Chairman & President Versatile Corporation Equiment, Manufacturing, Shipyard and Energy Company	January 8, 1974	202,082	19	13
John Lewis Schlosser Edmonton, Alta. (1)	President Tri-Jay Investments Ltd. Investment Company	March 9, 1976	2,716	19	14

The term of office of each of the above nominees will expire at the next Annual General Meeting of the Bank.

(1) Member of the Executive Committee.
(2) Member of the Audit Committee.
(3) This column shows the number of common shares beneficially owned, directly or indirectly, or controlled by each of the nominees as reported to the Bank. The nominees do not own or control any preferred shares.

During the period subsequent to November 15, 1983 five Directors left the Board. Mr. W.C. Mearns, who served as a Provisional Director of the Bank and as a Director since May, 1967, retired on January 10, 1984. Mr. D.E. McGeachan and Mr. T.W. Pilley resigned on June 4, 1984 and September 25, 1984 respectively. Mr. G.B. McIntosh and The Honourable T.A. Dohm, Q.C., who served as Directors since 1972, retired on December 10, 1984.

Mr. J.B. Smith and Mr. D.M. Clark, Q.C., who served as Directors of the Bank since 1967 and 1968 respectively decided not to stand for re-election on account of age limitation.

Mr. Mearns attended 2 meetings, Mr. McGeachan 8 meetings, Mr. Pilley 15 meetings, Mr. McIntosh 19 meetings, Mr. Dohm 17 meetings, Mr. Clark 17 meetings, and Mr. Smith 14 meetings of the Directors. Mr. McGeachan attended 11 meetings, Mr. Pilley 13 meetings and Mr. Dohm 14 meetings of the Executive Committee.

All the above nominees for directors have been engaged for the past five years in their present principal occupations or in other capacities with the same corporations or firms except Mr. Edgar F. Kaiser, Jr., who prior to September, 1984 was President of Kaiser Resources Ltd. and prior to October, 1980 was Chairman and Chief Executive Officer of a separate company then called Kaiser Resources Ltd. (now Westar Mining Ltd.); Mr. Arthur J. Block, who prior to September, 1984 was President of Block Bros. Industries Ltd.; Mr. Arthur Fouks, who prior to February, 1984 was a partner in the law firm of Bonner & Fouks; and Mr. Bryan J. Reynolds, who prior to November, 1983 was a private investor and prior to June, 1980 was President and Chief Executive Officer of Bethlehem Copper Corporation. Mr. Dobb is a Director of BBC Realty Ltd. and a Director and Vice-President of WestBank Leasing Limited both of which companies are affiliates of the Bank.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has purchased liability insurance for its Directors and Officers in their capacity as Directors and Officers of the Bank. The amount of the insurance is $20,000,000 and the amount paid by the Bank during the 1984 financial year as a premium was $17,905. No amount of premium has been paid by individual Directors and Officers. The policy is subject to a deductible of $5,000 per claim for each Director and Officer subject to a total deductible not exceeding $10,000 per claim. The policy is also subject to a participation of loss clause of 5% to a maximum of $50,000 and a deductible of $50,000 for Bank reimbursement of claims paid by the Bank as a result of indemnifying its Directors and Officers.

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Canada's Western Bank

Bank of British Columbia

MINUTES OF THE SPECIAL MEETING OF SHAREHOLDERS

November 21, 1984

The Special Meeting of Shareholders of Bank of British Columbia was held on Wednesday, November 21, 1984 at 11:00 o'clock in the forenoon in the Park Ballroom, Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C.

Mr. E.F. Kaiser, Jr., requested the approval of the Meeting to the appointment of himself as Chairman and Mr. T.D. Tutti as Secretary of the Meeting, and the appointment of Mr. Jack Huff and Mrs. Lana Man as Scrutineers to compute the votes of any ballots taken at the Meeting and to report thereon to the Chairman.

It was moved, seconded and resolved that the foregoing appointments be approved.

The Chairman declared that he had received satisfactory proof from the Secretary that Notice of the Meeting had been duly given in accordance with the Bank Act and as a quorum was present, he declared the Meeting properly constituted.

The Chairman stated that the Minutes of the Sixteenth Annual General Meeting of the Shareholders had been published and circulated to all of the Shareholders.

It was moved, seconded and resolved that the Minutes of the Sixteenth Annual General Meeting of the Shareholders of the Bank held on January 10, 1984, copies of which have been mailed to the Shareholders, be taken as if read and adopted.

The Chairman advised that reference to the approval of the Minister of Finance need not be included in the proposed By-laws Nos. 6 and 7 and asked for a motion to amend the Special Resolution.

It was moved, seconded and resolved that the amendments be adopted.

The Chairman requested the Secretary to read the Special Resolution, as amended.

The motion to adopt the Special Resolution was moved and seconded and the Chairman called for a vote by ballot.

Several matters were raised by Shareholders to which the Chairman responded.

The Chairman then stated he had received confirmation of the Scrutineers that in addition to the votes cast by ballot at the Meeting, substantially all of the Shareholders' votes cast by proxy had been cast in favour of the Special Resolution, and he declared the Special Resolution carried by the requisite majority.

There being no further business, the Chairman declared the Meeting terminated.

Canada's Western Bank

Bank of British Columbia

Head Office: 1235 Two Bentall Centre, Vancouver, British Columbia

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Canada's Western Bank

Bank of British Columbia

NOTICE OF ANNUAL GENERAL MEETING

OF SHAREHOLDERS AND

MANAGEMENT PROXY CIRCULAR

BANK OF BRITISH COLUMBIA

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Bank of British Columbia will be held in The Westin Bayshore, 1601 West Georgia Street, Vancouver, British Columbia, on Thursday the 23rd day of January, 1986, at 11:00 a.m. Pacific Standard Time, for the purposes of:

1. receiving the Financial Statements for the year ended October 31, 1985, and the Auditors' Report thereon;
2. electing Directors;
3. appointing Auditors and fixing their remuneration;
4. transacting such other business as may properly be brought before the Meeting.

Vancouver, British Columbia
December 3, 1985

By Order of the Board

PETER H. STAFFORD,
Secretary

Shareholders who are unable to attend the Meeting in person are requested to complete and return the enclosed form of proxy in the envelope provided to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P3 not later than the close of business on Tuesday, January 21, 1986.

BANK OF BRITISH COLUMBIA

MANAGEMENT PROXY CIRCULAR

as of November 29, 1985

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by management of Bank of British Columbia (the "Bank") of proxies for use at the Annual General Meeting of the Shareholders of the Bank (the "Meeting") to be held on Thursday, January 23, 1986, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited by employees of the Bank at nominal cost. The cost of this solicitation will be borne by the Bank.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Bank. A Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by writing such person's name in the space provided on the form of proxy and deleting the printed names or by completing another proper form of proxy. A person appointed as proxyholder need not be a Shareholder of the Bank. The form of proxy must be signed by the Shareholder, or by his or her attorney authorized in writing.

A Shareholder who has given a proxy may revoke it by an instrument in writing, executed by the Shareholder or by his or her attorney authorized in writing, and deposited at the Head Office of the Bank, 1235 - Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia, V7X 1K1 not later than the close of business on the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING OF PROXIES

Shares represented by a properly executed proxy in favour of persons designated in the attached form of proxy will be voted on any ballot which may be held in accordance with the direction contained in the proxy. **In the absence of such direction they will be voted in favour of the election of the Nominees for Directors, the appointment of Auditors and fixing their remuneration.**

The enclosed form of proxy confers discretionary power on the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. In order to be valid, proxies must be delivered to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P3 not later than the close of business on Tuesday, January 21, 1986.

A simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote at the Meeting.

If a proxyholder, other than those persons named in the enclosed form of proxy, is appointed, the Bank assumes no responsibility in respect of whether or not such proxyholder votes those shares in accordance with instructions.

VOTING RIGHTS

As of November 29, 1985, there were authorized 33,964,324 fully paid and outstanding common shares of the Bank without nominal or par value. Each holder of common shares of record as at the close of business on December 16, 1985 will be entitled to one vote in respect of each share held at that time, except as described below. However, a transferee of those common shares acquired after December 16, 1985, who establishes his ownership of such shares, may require the Bank, not later than ten days prior to the Meeting, to include his or her name on the list of shareholders entitled to vote at the Meeting. The holders of preferred shares are not entitled to vote at the Meeting.

VOTING RESTRICTIONS

Under the provisions of the Bank Act, common shares of the Bank may not be voted in person or by proxy if

(a) the common shares of the Bank are held by a resident of Canada for the use or benefit of a non-resident of Canada; or

(b) the common shares of the Bank held by the shareholder together with the total number of common shares held for that shareholder and others associated with him or her exceed 10% of the outstanding common shares of the Bank; or

(c) the shareholder holds the common shares of the Bank in the name or right of or for the use or benefit of the Government of Canada, or a Province, or an agent thereof (including an official or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund) or the Government of a foreign state or political subdivision, or an agent thereof.

The foregoing is a summary only. A copy of the relevant sections of the Bank Act will be forwarded to any shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

To the knowledge of the Directors and Senior Officers of the Bank, no shareholder beneficially owns, directly or indirectly, shares carrying more than 10% of the votes attached to the outstanding common shares of the Bank.

ELECTION OF DIRECTORS

Twenty Directors are to be elected at the Meeting to serve until the next Annual General Meeting of Shareholders. Unless authority to do so is withheld, the persons named in the accompanying form of proxy intend to vote for the nominees listed below, all of whom are presently Directors. Although the Bank does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy reserve the right to vote in favour of another nominee in their discretion unless otherwise directed.

Set out below is a summary of the record of attendance by Directors at Board and Board Committee meetings during the period from November 1, 1984 to October 31, 1985. During this period, 10 Board meetings were held: Vancouver (8), Edmonton (1) and Calgary (1). Committees of the Board held meetings as follows: Executive (7), Audit (6), Credit (14) and Compensation and Pension (3).

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

Name and Address	Principal Occupation	Director Since	Common Shares Owned (5)	Number of Meetings Attended: Board	Number of Meetings Attended: Board Committees
Russell James Bennett Westbank, B.C.	President McIntosh Centre Ltd. Real Estate, Ranching and Farming	May 8, 1967	150,722	9	
Arthur John Block Vancouver, B.C. (3)	President A.R. Holdings Ltd. Investment Company	May 6, 1980	1,166	9	14
Harry Booth Calgary, Alta. (2)	Chairman & Chief Executive Officer Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Company Ltd. Natural Gas Distribution	July 27, 1976	4,966	8	4

Name and Address	Principal Occupation	Director Since	Common Shares Owned (5)	Number of Meetings Attended	
				Board	Board Committees
Thomas Allan Buell Vancouver, B.C. (1)(4)	Chairman, President & Chief Executive Officer Weldwood of Canada Ltd. Forest Products	May 25, 1976	9,772	9	8
Alfred William Everett Vancouver, B.C. (2)	Vice-Chairman Royal Canadian Securities Limited Investment Company	May 6, 1975	43,091	9	4
George Leon Farinsky Piedmont, California	President U.S. Operations of the Bank	April 29, 1985		4	
George Edward Hare West Vancouver, B.C.	Vice-Chairman of the Bank	August 27, 1985	1,000	2	
Robert Edward Kadlec Vancouver, B.C. (3)	President & Chief Executive Officer Inland Natural Gas Co. Ltd. Energy Company	July 19, 1983	8,200	9	10
Edgar Fosburgh Kaiser, Jr. Vancouver, B.C. (1)(3)(4)	Chairman, President & Chief Executive Officer of the Bank	September 25, 1984	1,365,977	10	8
John Custance Kerr Vancouver, B.C. (1)(4)	President Lignum Ltd. Lumber Manufacturer	May 10, 1983	25,500	8	7
David See-Chai Lam Vancouver, B.C.	Chairman & President Canadian International Properties Ltd. Real Estate	December 11, 1984	170,833	5	
Beverley Kathleen Lecky Vancouver, B.C.	President Hosmer Holdings Ltd. Investment Company	August 14, 1979	700	6	
Wendy Burdon McDonald North Vancouver, B.C.	President & Chairman of the Board B.C. Bearing Engineers Ltd. Bearing and Power Transmission Company	May 28, 1985	1,000	2	
John Wallace Madill Calgary, Alta. (3)	Chief Executive Officer Alberta Wheat Pool	August 9, 1977	3,894	7	6
Arthur Hoadley Mitchell Edmonton, Alta. (4)	Chairman Mitchell & Associates Ltd. Oil & Gas Consultants Vice-President of the Board Bank of British Columbia	September 14, 1971	8,364	7	3

Name and Address	Principal Occupation	Director Since	Common Shares Owned (5)	Number of Meetings Attended	
				Board	Board Committees
Allan Stuart Olson Edmonton, Alta.	President Stuart Olson Construction Ltd. Construction	December 11, 1984	20,500	6	
Dale George Parker Vancouver, B.C. (3)	President, Canadian Banking Operations of the Bank	May 28, 1985	500	3	4
Bryan Joseph Reynolds Vancouver, B.C. (2)	Partner Lawrence & Shaw Barristers & Solicitors	December 12, 1977	25,000	6	4
Peter Paul Saunders Vancouver, B.C. (1)(2)	Chairman & President Versatile Corporation Equipment, Manufacturing, Shipyard and Energy Company	January 8, 1974	194,741	8	10
John Lewis Schlosser Edmonton, Alta. (1)	President Tri-Jay Investments Ltd. Investment Company	March 9, 1976	10,864	8	7

The current term of office of each of the above nominees will expire at the Meeting.

(1) Member of the Executive Committee.*
(2) Member of the Audit Committee.*
(3) Member of the Credit Committee.*
(4) Member of the Compensation and Pension Committee.*
(5) This column shows the number of common shares beneficially owned, directly or indirectly, or controlled by each of the nominees as reported to the Bank. The nominees do not own or control any preferred shares.

*Information given as at November 29, 1985.

During the period subsequent to October 31, 1984 one Director left the Board. Mr. Arthur Fouks, Q.C., who served as a Director since May 22, 1973, resigned on August 26, 1985.

Mr. Albert Earl Hall, who served as a Director since January 9, 1968, has decided not to stand for re-election on account of age limitation. Mr. Victor Dobb, who served as a Director since December 11, 1984, has indicated that in view of his retirement as an officer of the Bank he will not be standing for re-election.

During the financial year ended October 31, 1985, Mr. Fouks attended 4 meetings, Mr. Dobb 5 meetings, and Mr. Hall 10 meetings of the Directors. During this period Mr. Fouks attended 1 meeting of the Executive Committee and 1 meeting of the Audit Committee; Mr. Hall attended 14 meetings of the Credit Committee; and Mr. Dobb attended 8 meetings of the Credit Committee.

Mr. Farinsky, Mr. Hare, Mr. Parker and Mrs. McDonald have been elected Directors since the last Annual General Meeting of Shareholders. During the five years prior to their date of election to the board of Directors, Mr. Farinsky was Vice-President and Chief Financial Officer of Dysan Corporation, a manufacturer of rigid and flexible rotating magnetic data recording media; Mr. Hare held various executive positions with a major Canadian chartered bank; and Mr. Parker held various executive positions with a major Canadian chartered bank. During the past five years, Mrs. McDonald has been President and Chairman of the Board of B.C. Bearing Engineers Ltd.

Mr. Edgar F. Kaiser, Jr. is a Director of British Columbia Financial Corp. (H.K.) Limited, an affiliate of the Bank.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has purchased liability insurance for its Directors and Officers in their capacity as Directors and Officers of the Bank. The amount of the insurance is $25,000,000 and the amount paid by the Bank as a premium was $22,905 during the financial year ended October 31, 1985 in respect of the policy year from March 3, 1985 to March 3, 1986. No amount of premium has been paid by individual Directors and Officers. The policy is subject to a deductible of $2,500 per claim for each Director and Officer subject to a total deductible not exceeding $7,500 per claim, and a deductible of $50,000 for Bank reimbursement of claims paid by the Bank as a result of indemnifying its Directors and Officers.

PENDING LEGAL MATTERS

The Bank is subject to a number of legal actions arising in the normal course of its business. At the present time, the following may be considered to be material.

In July, 1984 an action was commenced by Edith M. McCracken and Lawrence A. Elliott in The Supreme Court of British Columbia claiming special damages of $8,785,410, interest thereon and other damages. The claim arises from the receivership of Farwest Cedar Fencing Ltd. and the Plaintiffs allege unlawful acts on the part of the Bank, the receiver-manager, and the Federal Business Development Bank. Counsel for the Bank have advised that based upon the information available to them, the claim is unlikely to succeed, and that the damages claimed are excessive.

In November, 1984 an action was commenced in The Court of Queen's Bench of Alberta by William Steinberg, William Friedman and three companies associated with one or other of them. The defendants are the Bank and Ormskirk Investments Ltd. The Plaintiffs seek judgment for $61 million, an order setting aside an agreement between the Bank and Ormskirk Investments Ltd. relating to the sale by the Bank to Ormskirk of certain real estate and a portfolio of nonperforming loans owed to the Bank, including loans owed by the Plaintiffs, and certain other relief. The action arises out of the said sale which was allegedly made in breach of certain agreements between the Bank and the Plaintiffs to restructure the loans. Counsel for the Bank have advised that, in their opinion, based on their review of certain of the Bank's documents relating to the Plaintiffs' dealings with the Bank and interviews with key Bank personnel involved in such dealings (a) it is highly unlikely that the Plaintiffs' claim for an order setting aside the said agreement would be successful and (b) the balance of the Plaintiffs' claim is of doubtful validity.

In October, 1985 a counterclaim in an action pending in The Court of Queen's Bench of Alberta was filed against the Bank by ADK Holdings Ltd., Karl Stadler, Susan Stadler, Sandor Seles and Anamaria Seles-Varga claiming damages of up to $8.2 million alleging the unlawful appointment of a receiver-manager by the Bank and certain unlawful acts by agents of the receiver-manager and the Bank. Counsel for the Bank have advised that based upon the information available to them, the claim is unlikely to succeed.

In November, 1985 Raintree Research Corp. instituted an action in The Court of Queen's Bench of Alberta claiming rescission of an agreement to purchase a warehouse property on the grounds that certain structural defects were not disclosed to the Plaintiff. The Plaintiff also claims damages of $400,000 in respect of the cost of remedying the defects and $18 million damages for future income tax liabilities of the Plaintiff allegedly to be incurred as a result of its use of the warehouse being temporarily restricted. The Bank intends to defend the action, the outcome of which cannot be determined at this time.

STATEMENT OF DIRECTORS' AND OFFICERS' REMUNERATION FROM THE BANK AND ITS SUBSIDIARIES

	Nature of Remuneration Earned Year Ended October 31, 1985					
	Directors' Fees	Salaries	Bonuses	Non-accountable Expenses	Others (1)	Total
REMUNERATION OF DIRECTORS						
(A) Number of directors (23)	$195,708	Nil	Nil	Nil		$ 195,708
(B) Corporation incurring the expense — The Bank						
REMUNERATION OF OFFICERS (In excess of $75,000 per annum)						
(A) Number of officers (26)		$2,439,645	$360,000	Nil	$129,419	$2,929,064
(B) Corporation incurring the expense — The Bank						
TOTALS	$195,708	$2,439,645	$360,000		$129,419	$3,124,772

(1) Includes the Bank's contribution to its pension plan; benefits under the executive car leasing program; and benefits resulting from low interest rate loans consisting mainly of housing loans.

OPTIONS TO PURCHASE SECURITIES

No options to purchase securities of the Bank or any of its subsidiaries have been granted to any person or corporation since the commencement of the Bank's last completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the commencement of the Bank's last completed financial year, no Director or proposed management nominee for election as a Director or Officer or associate of or corporation controlled by such Director or Officer had any material interest in respect of any matter, direct or indirect, or in any proposed transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS

No Director or proposed management nominee for election as a Director is or has been indebted to the Bank or its subsidiaries at any time since November 1, 1984 except loans made on substantially the same terms, including those as to interest rate and collateral, as were available, at the time the loan was made to other customers of the Bank with comparable credit ratings and involving not more than the usual risks of collectability and, except as follows:

Name	High During Year Ended October 31, 1985	Range of Interest Rate	Average Rate per Annum	Balance as at November 29, 1985
George Edward Hare	$64,922	3% - 6¼%	5.6%	$64,922

The foregoing loan was made by the Bank for the purpose of housing and private investments. $60,000 of the above amount represents a housing loan secured by a mortgage on Mr. Hare's residence.

AUDITORS

The Bank Act requires the Shareholders of the Bank to appoint at each Annual General Meeting two qualified firms of auditors to act as Auditors of the Bank until the next Annual General Meeting.

It is intended that proxies which are received pursuant to this solicitation will be voted for the appointment of Peat, Marwick, Mitchell & Co. and Thorne Riddell as Auditors of the Bank, to hold such office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Shareholders.

During the past five financial years Peat, Marwick, Mitchell & Co. were the auditors in 1981, 1984 and 1985; Thorne Riddell in 1981, 1982 and 1983; and Deloitte Haskins & Sells in 1982, 1983, 1984 and 1985, in accordance with the rotation required by the Bank Act.

OTHER BUSINESS

The management of the Bank knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the Meeting, the shares represented by the enclosed form of proxy will be voted by the persons named therein on such other matters in accordance with their best judgment.

The Board of Directors has approved the content and sending of this Management Proxy Circular.

Peter H. Stafford, Secretary
Vancouver, B.C.

This prospectus constitutes a public offering of securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder, and any representation to the contrary is an offence.

New Issue January 4, 1985

$114,000,000

AR29

Bank of British Columbia

19,000,000 Common Shares

OFFER TO CERTAIN SHAREHOLDERS

Bank of British Columbia (the "Bank") hereby offers to holders of Common Shares of record at the close of business on November 7, 1984 (the "Determination Date") (other than shareholders whose recorded addresses are in the United States of America or any territory or possession thereof and shareholders, if any, to whom section 110(5) of the Bank Act applies) the right to subscribe for an additional 13,871,568 Common Shares at the price of $6.00 per share on the basis of three Common Shares for each Common Share held on the Determination Date. The Offer to Certain Shareholders will terminate on January 25, 1985 unless extended by the Bank. See "Offer to Certain Shareholders" on page 5.

OFFER TO THE PUBLIC

The Agents hereby offer to the public, at the price of $6.00 per share, the Common Shares not subscribed for under the Offer to Certain Shareholders, together with an additional 5,128,432 Common Shares, subject to prior sale if, as and when issued by the Bank. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offer to the Public will terminate on January 30, 1985 unless extended by the Bank. See "Offer to the Public" on page 5.

The Common Shares of the Bank are listed on the Vancouver, Alberta and Toronto stock exchanges. The reported closing sale price for the Common Shares on The Toronto Stock Exchange on January 3, 1985 was $6½. The Vancouver, Alberta and Toronto stock exchanges have conditionally approved the listing of the Common Shares offered hereby subject to the Bank fulfilling all of the requirements of such exchanges on or before March 27, 1985, including distribution of the Common Shares to a minimum number of public shareholders.

As the Bank incurred a net loss for the year ended October 31, 1984 dividends were paid from retained earnings. See "Dividend Record" on page 24.

In the opinion of counsel, at the date of original delivery, the Common Shares will be eligible for investment under certain statutes as set out under "Eligibility for Investment".

	Price to Public	Agents' fees (1)	Net Proceeds to the Bank (2)
Per Share	$6.00	Maximum $0.186 Minimum $0.076	Minimum $5.814 Maximum $5.924
Total	$114,000,000	Maximum $3,530,000 Minimum $1,444,755	Minimum $110,470,000 Maximum $112,555,245

(1) As more fully described under "Agency Agreement".

(2) Before deducting expenses of issue estimated at $400,000.

The 19,000,000 Common Shares are offered subject to conditions contained in the Agency Agreement referred to under "Agency Agreement" and subject to the approval of certain legal matters on behalf of the Bank by Messrs. Russell & DuMoulin, Vancouver, and on behalf of the Agents by Messrs. Lawson, Lundell, Lawson & McIntosh, Vancouver.

Definitive share certificates will be issued and mailed to persons who subscribe for Common Shares under the Offer to Certain Shareholders upon acceptance of subscriptions by the Bank. In the case of Common Shares purchased under the Offer to the Public it is expected that definitive share certificates will be available for delivery on or about February 6, 1985.

BRINK HUDSON & LEFEVER LTD.
FOURTH FLOOR, 700 WEST PENDER STREET,
VANCOUVER, B.C. V6C 1C1

This is a summary only and is qualified by the more detailed information appearing elsewhere in the prospectus.

PROSPECTUS SUMMARY

The Offering

Issue:	19,000,000 Common Shares
Issue Price:	$6.00 per share.
Offer to Certain Shareholders:	13,871,568 Common Shares are being offered to holders of Common Shares of the Bank as at November 7, 1984. See "Offer to Certain Shareholders".
Offer to the Public:	5,128,432 Common Shares, together with any shares not subscribed for under the Offer to Certain Shareholders, are being offered to the public. See "Offer to the Public".
Application of Proceeds:	The net proceeds from the sale of the Common Shares will be added to the general funds of the Bank and will be utilized for its general banking purposes. The purpose of the issue is to enlarge the Bank's capital base.

The Bank

The Bank provides a full range of banking services, both foreign and domestic, through 50 domestic branch offices (38 in British Columbia and 12 in Alberta) and five international offices (San Francisco, Los Angeles, London, Hong Kong and Grand Cayman).

The Bank has recently completed several significant transactions described under "Current Position of the Bank".

On October 31, 1984 the Bank completed an arms-length sale of a portion of its loan portfolio, generally consisting of non-performing and other problem loans. The sale resulted in a loss of $45.8 million which was charged to tax-allowable appropriations for contingencies as part of loan loss experience for fiscal 1984 and resulted in an increase of $9.4 million in the Bank's provision for loan losses charged to income.

On November 22, 1984 the Bank completed the private placement of 12 million Common Shares at $6.00 per share for aggregate proceeds of $72 million.

On the same day the Bank issued 2,445,713 Common Shares to acquire the outstanding trust units of BBC Realty Investors not already owned by the Bank.

Dividends

The Inspector General of Banks has required an undertaking from the Bank that no cash dividends on its Common Shares be paid, without prior consultation with and the consent of the Inspector General of Banks, until the deficit in appropriations for contingencies has been eliminated. See "Regulatory Matters" on page 8 and "Dividend Record" on page 24.

Dilution

As at October 31, 1984 the book value per Common Share was $7.18 and after giving effect to the private placement of 12 million Common Shares and the merger with BBC Realty Investors, the book value per Common Share was $6.31. After giving effect to the issuance of the 19,000,000 Common Shares at $6.00 per share offered hereby, the book value per Common Share as at October 31, 1984 would be $6.11. [illegible]

Selected Financial Information [1]
(in thousands of dollars except where noted)

	1984	Pro Forma 1984 (2)	1983	1982	1981	1980
			Years ended October 31			
Total Assets	$3,067,349	$3,240,867	$3,057,771	$3,254,056	$2,945,915	$2,311,268
Securities	239,331	237,091	242,217	281,845	282,045	233,158
Loans	2,490,114	2,623,594	2,380,481	2,584,941	2,336,338	1,746,997
Deposit Liabilities	2,892,389	2,976,376	2,798,648	3,033,292	2,732,199	2,140,006
Debentures	13,348	13,348	19,367	19,378	19,402	19,420
Capital and Reserves						
Appropriations for Contingencies	(43,787)	(43,787)	3,702	15,324	21,970	13,789
Shareholders' Equity						
Capital Stock						
Preferred shares	37,670	37,670	38,348	18,928	19,183	19,868
Common shares	72,225	158,899	25,848	20,848	17,869	15,316
Contributed Surplus	—	—	46,633	34,564	25,235	19,401
Retained Earnings	8,655	8,611	20,971	26,555	25,599	18,416
Total Capital and Reserves	74,763	161,393	135,502	116,219	109,856	86,790
Total Capital and Reserves and Debentures	88,111	174,741	154,869	135,597	129,258	106,210
Net Income (Loss)	(6,990)	(6,990)	12,126	11,734	17,326	9,328
Return on Assets (3)	(0.22)%	(0.22)%	0.39%	0.37%	0.66%	0.44%
Return on Common Equity (4)	(11.7)%	(11.7)%	10.0%	10.1%	19.4%	12.9%
Per Common Share (in dollars) (5):						
Shareholders' Equity	$15.65	$8.54	$18.07	$19.66	$19.22	$17.35
Appropriations for Contingencies	(8.47)	(2.23)	0.72	3.67	6.15	4.50
Book Value	7.18	6.31	18.79	23.33	25.37	21.85
Net Income (Loss)	(2.01)	(2.00)	2.20	2.51	4.48	2.65
Dividends Paid	0.36	0.36	0.72	0.72	0.64	0.56

(1) See "Analysis of Operating Results" for commentary on certain of these items.
(2) After giving effect to the Merger Agreement and the Private Offering described under "Current Position of The Bank".
(3) Net income (loss) divided by average assets for the year.
(4) Net income (loss) less preferred dividend obligations divided by average capital and reserves less preferred share capital.
(5) After giving effect to the two for one subdivision on March 15, 1982 and the preferred share dividend obligations for each year.

ELIGIBILITY FOR INVESTMENT

The opinions of Russell & DuMoulin and Lawson, Lundell, Lawson & McIntosh will be to the effect that the Common Shares at the date of original delivery will be eligible investments, without resort to the so-called "basket" provisions, but subject to the general investment conditions or restrictions applying to certain purchasers:

(a) for insurance companies registered under the Canadian and British Insurance Companies Act (Canada);

(b) for loan companies regulated under the Loan Companies Act (Canada), and trust companies regulated under the Trust Companies Act (Canada); and

(c) for pension funds registered under the Pension Benefits Standards Act (Canada).

Common Shares purchased after March 31, 1985 by institutions subject to such legislation will not be eligible investments, without resort to the basket provisions, if a cash or stock dividend in the amount required by such legislation is not paid on the Common Shares by that date. See "Regulatory Matters" and "Dividend Record".

The opinion of such counsel will also be to the effect that the Common Shares at the date of original delivery will also qualify as eligible investments for registered retirement savings plans, for deferred profit sharing plans, for registered retirement income funds and for registered home ownership savings plans under the Income Tax Act (Canada).

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All dollar amounts are in Canadian dollars except where otherwise noted. Assets and liabilities in foreign currencies are translated into Canadian dollars at rates prevailing at the end of each reporting period. Revenue and expenses are translated at prevailing month-end rates.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his province or territory for the particulars of these rights or consult with a legal advisor.

THE OFFERING

OFFER TO CERTAIN SHAREHOLDERS

The Bank hereby offers to each holder of Common Shares of record at the close of business on November 7, 1984, the Determination Date, (other than shareholders whose recorded addresses are in the United States of America or any territory or possession thereof and shareholders, if any, to whom section 110(5) of the Bank Act applies) the right to subscribe for additional Common Shares in the capital of the Bank at the price of $6.00 per share on the basis of three Common Shares for each Common Share held on the Determination Date. As 4,623,856 Common Shares were outstanding on the Determination Date and held by shareholders entitled to receive the Offer to Certain Shareholders (the "Eligible Shareholders"), a total of 13,871,568 Common Shares are so offered.

How to Subscribe for Common Shares

The Bank intends that on or about January 7, 1985 it will send to each Eligible Shareholder a copy of this prospectus together with a non-transferable Subscription Form indicating the number of Common Shares for which the shareholder is entitled to subscribe. The holder may subscribe for all or any part of the number of Common Shares indicated on the Subscription Form by completing the subscription section on the Subscription Form and returning the Subscription Form and payment in full for the shares subscribed for in time to reach The Canada Trust Company ("Canada Trust") at 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P3 or at 505 - 3rd Street, S.W., Calgary, Alberta, T2P 3E6 or at 2125 11th Avenue, Regina, Saskatchewan, S4P 0J6 or at 110 Yonge Street, Toronto, Ontario, M5C 1T4, in each case, on or before 4:00 p.m. local time on January 25, 1985, the termination date of the Offer to Certain Shareholders. The Bank may, in its sole discretion, extend the termination date.

Eligible Shareholders whose recorded addresses are outside Canada and the United States of America and any of the territories or possessions thereof will not be forwarded Subscription Forms but will be sent a letter by air mail advising them that their Subscription Forms will be issued to and held by Canada Trust, as agent, for the account of such shareholders who may, on or before 4:00 p.m. local time on January 25, 1985, instruct Canada Trust, at its Vancouver office, as to the exercise of their rights to subscribe for Common Shares. If instructions and payment in full are not received prior to that time, such Eligible Shareholders will have no further right to subscribe for Common Shares under the Offer to Certain Shareholders.

Subscriptions for Common Shares under the Offer to Certain Shareholders will be accepted by the Bank upon receipt of Subscription Forms and monies by Canada Trust. Share certificates will be issued and mailed to subscribers at their recorded addresses upon acceptance of subscriptions by the Bank.

Non-transferability

Rights evidenced by Subscription Forms may not be sold or transferred and, accordingly, will not be listed on any stock exchange.

Facilitating Dealer Group

As described under "Agency Agreement" a Facilitating Dealer Group consisting of members of the Investment Dealers Association of Canada and the Vancouver, Alberta, Toronto and Montreal stock exchanges has been formed for the purpose of soliciting subscriptions for Common Shares under the Offer to Certain Shareholders.

OFFER TO THE PUBLIC

Any Common Shares not subscribed for under the Offer to Certain Shareholders, together with an additional 5,128,432 Common Shares, are offered to the public hereby by Dominion Securities Pitfield Limited, Pemberton Houston Willoughby Incorporated, Wood Gundy Inc., Odlum Brown Limited and McLeod Young Weir Limited (the "Agents") at the price of $6.00 per share. As described under "Agency Agreement", the Agents have agreed to use their best efforts to sell such Common Shares and to form and manage a Selling Group consisting of registered investment dealers. The Offer to the Public will terminate on January 30, 1985 unless extended by the Bank.

UNITED STATES PERSONS

The 19,000,000 Common Shares offered hereby have not been and will not be registered under the United States Securities Act of 1933 and therefore neither the Offer to Certain Shareholders nor the Offer to the Public is made in the United States of America, its territories or possessions or to residents thereof or to persons whom the Bank or the Agents know to be nationals of the United States.

RESTRAINTS ON BANK SHARES UNDER THE BANK ACT

The Bank Act (Canada) (the "Bank Act") contains restrictions on the allotment, acquisition, holding and voting of all shares of a bank. By way of summary, these restrictions do not allow banks, including the Bank, to issue or permit the transfer of shares of any class to:

(a) a non-resident, if the total number of shares of that class held by non-residents would exceed 25% of the issued and outstanding shares of that class;

(b) any person, if the total number of shares of that class held by that person and others associated with him, exceeds or would thereby exceed 10% of the issued and outstanding shares of that class; or

(c) Her Majesty, an agent of Her Majesty, a foreign government or any agent of a foreign government.

In addition, no person is permitted to acquire, hold or beneficially own shares of a class of a bank if the total number of shares of that class held or beneficially owned by that person and others associated with him exceeds or would thereby exceed 10% of the issued and outstanding shares of that class. The restrictions on voting rights relevant to the Bank contained in the Bank Act provide that a Canadian resident holding shares of the Bank in the right of and for the use or benefit of a non-resident may not exercise the voting rights pertaining to such shares and, generally, prohibit the voting of shares of a class held by or for a person or his associates if the shares of that class held by or for that person and his associates are in excess of 10% of the issued and outstanding shares of that class.

Persons acquiring Common Shares may be required to furnish declarations relative to the foregoing in the form prescribed by the Bank.

THE BANK

The Bank, a chartered bank subject to the provisions of the Bank Act, was incorporated by Special Act of Parliament in December, 1966 and commenced operations in July, 1968. The head office of the Bank is located at Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia.

Unless the context otherwise requires, the term the "Bank" refers to Bank of British Columbia together with its subsidiaries, all of which are wholly-owned.

CURRENT POSITION OF THE BANK

Introduction

During the last three years, the Bank's operations have been affected adversely by the severe recessionary conditions experienced in North America and in particular in Alberta and British Columbia where a great percentage of the Bank's customers are located and the Bank's business is conducted. The economic downturn followed a period of sustained inflation which had assisted the Bank in more than doubling its assets in the five years ended October 31, 1983.

The adverse effects on the Bank's customers of the sustained high level of interest rates during 1981 and the first half of 1982 combined with the deteriorating economic environment resulted in substantially increased loan loss experience as shown in the following table:

(in thousands of dollars) Years Ended October 31				
1984	1983	1982	1981	1980
$85,370	$51,325	$27,993	$9,038	$6,692

Although the level and volatility of interest rates have both declined over the past 18 months, the effects of the recession in British Columbia and Alberta have continued to affect the Bank's customers and its operations.

In view of the serious difficulties being experienced, the Board of Directors of the Bank determined that a change in senior management and direction was required and to that end, on September 25, 1984, Mr. Edgar F. Kaiser Jr. was appointed Chairman, President and Chief Executive Officer of the Bank.

Upon completion of a detailed review of the Bank's operations and difficulties, senior management determined that a series of transactions be undertaken including the disposition of non-performing loans and other assets and the raising of substantial common share capital. The transactions are described below:

Asset Sale

On October 31, 1984 the Bank completed an arms-length agreement (the "Asset Sale Agreement") for the sale by the Bank of a portion of its loan portfolio and certain other assets to Ormskirk Investments Ltd. ("Ormskirk") of Calgary, Alberta. The assets sold were recorded in the accounts of the Bank at $108.0 million and generally consisted of non-performing and other problem loans secured by real estate. The sale price of these assets was $62.2 million. The loss of $45.8 million was charged to tax-allowable appropriations for contingencies as part of loan loss experience for fiscal 1984. This incremental loan loss experience resulted in an increase of $9.4 million in the Bank's provision for loan losses charged to income in fiscal 1984.

As part of this transaction, the Bank provided financing to Ormskirk in the amount of $52.5 million on the security of a debenture charging the assets sold by the Bank to Ormskirk. This loan is repayable on October 31, 1989 and bears interest for the first three years at a rate of 13% per annum and thereafter at a rate equal to the prime rate of the Bank plus ½ of 1%. The Bank may be required to lend Ormskirk an amount equal to any interest accrued and unpaid on the loan on or before October 31, 1985, up to a maximum amount of $5 million and any such amount will be added to the principal amount of the loan secured by the Bank's debenture and repayment thereof will be guaranteed by Alsten Holdings Ltd., the parent corporation of Ormskirk. The Bank has also advanced (U.S.) $10 million to affiliates of Ormskirk on the security of a first mortgage on certain properties in Los Angeles, California and applied $9.7 million of the proceeds of this loan to Ormskirk's requirements for financing this purchase.

In the event that particular mortgages on properties transferred to Ormskirk, which rank in priority to the Bank's debenture, in the aggregate principal amount of approximately $20.6 million, are not renewed by existing lenders, the Bank may be required to lend to Ormskirk, on the Bank's usual terms and conditions, an amount equal to the outstanding balance of any such mortgage which has not been renewed.

The Bank has, until at least June, 1986, a right to acquire an equity interest of up to 35% in Ormskirk, consisting of up to 6.5% in voting shares (or approximately 9% of total outstanding voting shares) and up to 28.5% in non-voting shares, so as to allow the Bank to participate in any increase in the value of the assets sold.

Reference is made to "Legal Matters".

Private Offering of Common Shares

On November 22, 1984 the Bank completed the issue by private placement (the "Private Offering") to individual and institutional investors of 12 million Common Shares at a price of $6.00 per share for aggregate gross proceeds of $72 million.

The Ontario and Alberta Securities Acts each provide that the first trade in securities previously acquired under a private placement exemption is subject to the prospectus requirements of those Acts, unless the trade is otherwise exempted from the prospectus requirements or occurs after the expiration of a

period of time which, in the case of the Bank, would be not less than six months and not longer than one year from the date of the initial acquisition. The Ontario and Alberta Securities Commissions have both ruled that the first trade of Common Shares issued pursuant to the Private Offering will, after the date on which each such Commission issues a receipt for this prospectus, not be subject to the prospectus requirements of such Acts.

Merger with BBC Realty Investors

On November 22, 1984 the unitholders of BBC Realty Investors (the "Trust") approved an agreement dated October 29, 1984 (as amended on November 22, 1984) (the "Merger Agreement") between the Bank and the Trustees of the Trust, which resulted in the Bank subscribing for 2,445,713 Class B Trust Units for $15,285,706 and the Bank issuing 2,445,713 Common Shares to the Trust for $14,674,278. Unitholders of the Trust other than the Bank had their trust units reclassified as Class A Trust Units which were then redeemed on the basis of one Common Share of the Bank plus $0.25 for each Class A Trust Unit. As a result of these steps, the Bank holds all outstanding units in the Trust and intends to proceed with a winding up of the Trust and the distribution of its assets to the Bank. In furtherance of the Bank's intention to minimize its holdings of non-performing and other problem loans, which at the date of the Merger Agreement were recorded in the accounts of the Trust at approximately $52.8 million, the Bank is reviewing the Trust's portfolio and intends to dispose as soon as practicable of these investments, including certain real estate recorded in the accounts of the Trust at approximately $10.7 million, for the maximum amount realizable. These loans and the real estate represent approximately 44.4% of the book value of the assets of the Trust. It is anticipated that the proceeds realized by the Bank in these circumstances will be less than the value at which these investments are recorded in the accounts of the Trust, but not less than the values at which these investments are recorded in the accounts of the Bank.

Public Offering of Common Shares

On November 5, 1984 the Bank announced that it would proceed with a public offering of a maximum of 19 million Common Shares at a price of $6.00 per share. This offering is being made under this prospectus.

Business Plans

Management of the Bank believes that the foregoing transactions provide the Bank with sufficient capital to embark on an expansion of operations over the medium term. In particular, the Bank intends to expand its retail and commercial banking activities in Western Canada and its operations in California. The Bank also intends to accelerate its current program of mechanizing data processing operations to develop more efficient retail banking and management information systems.

Regulatory Matters

Following consultation with the Inspector General of Banks, commencing in fiscal 1985 the Bank will apply the rules for the determination of the provision for future loan losses using a ratio of loan losses to eligible loans similar to the ratio experienced by the Bank in the years prior to 1982. This will be accomplished by replacing the actual loan loss experience for the years 1982 to 1984 in the above mentioned formula with amounts representing normalized loan losses of 0.40% of eligible loans. See "Loan Loss Experience".

At the same time, the Bank discussed with the Inspector General of Banks generally its operating plans. These discussions are continuing with a view to settling the terms of undertakings with respect to certain aspects of the Bank's operations. Compliance with the undertakings is not expected to have any effect on the Bank's ability to conduct operations in the normal course. The undertakings being discussed include a requirement that, effective November 1, 1984, without prior consultation with and the consent of the Inspector General of Banks the Bank will not (i) pay cash dividends on the Common Shares until the deficit in appropriations for contingencies has been eliminated, and (ii) make loans or advances on the security of real property in excess of 25% of the consolidated assets of the Bank. The Bank is also required to advise the Inspector General of Banks of any new commitment in excess of 15% of its capital, including appropriations.

The Inspector General of Banks has agreed to review the necessity for the undertakings on October 31, 1985.

BUSINESS OF THE BANK

Organization of the Bank

The Bank provides a full range of banking services, both foreign and domestic, through 50 domestic branch offices (38 in British Columbia and 12 in Alberta) and five international offices (San Francisco, Los Angeles, London, Hong Kong and Grand Cayman).

The Corporate Credit Department supervises the majority of the domestic lending in the Bank. This includes credit applications processed through the branch system and through the Corporate Banking Department. A Real Estate Department has been established to manage the real estate lending of the Bank. International Banking is responsible for its portfolio of interbank loans and sovereign risk loans while administering loans to foreign corporations and managing its own treasury and foreign exchange operations. The Investment Department performs the domestic treasury functions and administers the securities portfolio of the Bank.

The Bank's domestic lending has primarily been concentrated in small and medium sized loans, with only a few exceptions exceeding $25 million. Lending limits are given to branch personnel based on their experience and capabilities. These limits enable them to handle most consumer and small business loans which originate in the branches. Credit applications in excess of established limits are recommended to the Corporate Credit Department where the application may be approved, restructured or declined.

The Bank's mortgage lending is primarily undertaken through its wholly-owned subsidiary, Bank of British Columbia Mortgage Corporation. Applications are taken through the Bank's branches and approved and administered by the Mortgage Department.

A Corporate Banking Department was added in 1981 to assist in attracting larger corporate borrowers and structuring more sophisticated credit facilities for existing clientele. Once this department has completed its loan analysis, it recommends the loan for authorization through the Corporate Credit Department. The Corporate Banking Department retains the ongoing responsibility for maintenance and supervision of these accounts. The Corporate Banking Department is also responsible for the initiation, structuring and analysis of major corporate loans in foreign currencies. A Corporate Banking Energy Department was established in Calgary to participate in the highly specialized energy market.

The Investment Department manages the Bank's liquidity position and is responsible for the Canadian dollar funding and capital planning functions of the Bank. It is the policy of the Bank to match as closely as possible the term and rate structure of its assets and liabilities. Investment Department personnel administer this policy within limits established by senior management of the Bank. The Bank funds its Canadian dollar loan portfolio and other assets from numerous and diverse sources. See "Deposits".

The Bank's foreign currency funding requirements are managed by International Banking. Deposits are raised from a variety of sources including personal and non-personal accounts and term deposits via branches, "swap" deposits, interbank deposits, lines of credit and wholesale term deposits. The policy of the Bank is to fully hedge all its foreign exchange risks and to match floating rate assets with floating rate liabilities.

The Bank also conducts foreign exchange trading activities on its own behalf and on behalf of its clients in most major foreign currencies. Foreign exchange trading risks are controlled by establishing allowable individual currency positions, trader dealing limits and customer credit limits for currency transactions.

Various departments within the Bank provide specialized services to senior management, branches and other operational departments and subsidiaries of the Bank. Some of the major service areas are: financial reporting and management information systems; human resources; systems and information processing; administration and operations; purchasing; premises; legal; sales and product development; advertising and communication; and inspection. These groups, in addition to ensuring consistency of methods and procedures throughout the Bank, also provide in-house expertise in many functional areas.

Automated computer systems have replaced virtually all of the Bank's labour intensive branch functions. The first automated banking machines were introduced in late 1983. Conversions to on-line terminals throughout the entire branch network are expected to be completed in 1985.

WestBank Leasing Limited, a wholly-owned subsidiary of the Bank, is active in the equipment finance leasing market, enters into leases for its own account and brokers leases.

Classification of Assets

The classification of the Bank's assets at the dates indicated and the percentage of gross revenue derived therefrom for the years then ended are as follows:

	As at October 31			
	Percentage of consolidated assets, at book value, devoted thereto		Percentage of gross revenue (1) derived therefrom	
	1984	1983	1984	1983
Loans	81%	78%	85%	82%
Investment in securities of the Government of Canada	5%	4%	3%	3%
Investment in securities other than securities mentioned above	3%	4%	4%	7%
Deposits with banks	5%	6%	3%	4%
Other	6%	8%	5%	4%
	100%	100%	100%	100%

(1) Dividends and other non-taxable income from securities have been grossed up to a taxable equivalent basis. See "Analysis of Operating Results".

Particulars of the geographical distribution of assets by location of ultimate risk are contained in note 10 to the Consolidated Financial Statements.

Primary and Secondary Reserve Requirements

The Bank Act requires that a bank maintain a primary reserve in Canadian currency in the form of coins, Bank of Canada notes or deposits with the Bank of Canada. This reserve shall not be less on average during any month than an amount equal to the aggregate of 10% of Canadian currency demand deposit liabilities, 2% of Canadian currency notice deposit liabilities, 1% of the amount by which Canadian currency notice deposit liabilities exceed $500 million, and 3% of the foreign currency deposits held in Canada by Canadian residents. The assets comprising the primary reserve of the Bank are non-income producing.

The Bank Act also empowers the Bank of Canada to require a bank to maintain, in addition to the primary reserve, a secondary reserve in the form of excess primary reserves, Government of Canada treasury bills or day loans to investment dealers at such percentage of its deposit liabilities subject to primary reserve requirements as may be fixed by the Bank of Canada pursuant to the Bank of Canada Act. Under this Act, the secondary reserve requirements may not be greater than 12% and are currently set at 4%.

Canadian and foreign currency deposits of non-residents with offices of the Bank outside Canada are exempt from reserve requirements. Deposit liabilities of subsidiaries that are factoring or leasing corporations, and Canadian currency deposits of Canadian residents with foreign branches or wholly-owned foreign subsidiaries, are included in calculating reserves. Liabilities of other subsidiaries, including mortgage loan corporations, are not included.

During the year, the Bank complied with the primary and secondary reserve requirements. For the October, 1984 reporting period the Bank maintained in its primary reserve a daily average deposit with the Bank of Canada of $26.6 million, as against a requirement of $25.2 million, and a daily average of $80.9 million in its secondary reserve, as against a requirement of $63.8 million.

Securities

Securities are held by the Bank for various reasons. Government of Canada treasury bills are eligible securities for satisfaction of the secondary reserve requirement. Federal treasury bills in excess of reserve requirements, provincial treasury bills, chartered bank bearer discount notes, bankers' acceptances and

commercial paper are some of the other most common securities that make up the Bank's portfolio of liquid investments. These highly liquid securities provide additional reserves beyond those required by the Bank Act giving the Bank protection against disruptions in funding or unexpected credit demands of its clients. Other securities, such as federal or provincial bonds, are held primarily for their income producing and trading profit potential, but also as a source of liquidity. Certain securities are acquired as the functional equivalent of the extension of bank credit enabling clients to borrow through the issue of preferred shares, income debentures or small business development bonds.

The Bank held securities as indicated in the table below as at the dates shown:

	(in thousands of dollars) As at October 31				
	1984	1983	1982	1981	1980
Securities issued or guaranteed by Canada					
Treasury bills	$117,604	$ 91,002	$ 77,025	$ 99,611	$ 91,350
Other maturing within three years	8,721	9,713	7,737	9,083	6,813
Other not maturing within three years	11,952	11,774	8,220	13,462	29,841
Issued or guaranteed by provinces, municipalities or school corporations	1,677	993	1,069	1,119	1,059
Term preferred shares	58,079	62,945	86,913	81,821	61,356
Small business development bonds	27,591	34,893	74,233	33,887	—
Other securities	13,707	30,897	26,648	43,062	42,739
Total securities	$239,331	$242,217	$281,845	$282,045	$233,158

Securities are valued in accordance with instructions issued under the authority of the Minister of Finance. Securities in the investment account issued or guaranteed by Canada or a province are recorded at amortized values. As at October 31, 1984, the Bank's investment account included securities issued by the Government of Canada which were carried on its books at the amortized cost of $138.1 million (1983 — $100.5 million) and had a market value of $136.9 million (1983 — $100.0 million). Other securities held in the investment account are carried at cost or amortized values or are valued using the equity method depending on their prescribed account classification. Securities held in the trading account are recorded at market value.

Loans

The Bank's credit policy is the direct responsibility of the senior executives of the Bank. This policy is administered by the executives who head the Corporate Credit, Real Estate, International Banking and Corporate Banking departments. These respective departments monitor adherence to policy to ensure the overall quality of the Bank's loan portfolio and approve specific exceptions to credit policy within their authority. Loans which are particularly large or exceptional in nature are approved by senior management and the Board of Directors. Loans are approved as close to the point of origin as possible. All loans are reviewed at least annually, as a matter of policy, by a credit officer of the Bank.

The Bank's principal lending activities include the extension of credit to the corporate sector and the granting of personal loans and residential mortgages.

As at October 31, 1984 approximately 69% of the dollar amount of the Bank's loan portfolio carries interest at variable rates. The balance of the portfolio carries fixed interest rates. As noted earlier, it is the policy of the Bank to match the rate and term characteristics of its assets and liabilities. It is also its policy to match the currency composition of its assets and liabilities, except for nominal trading positions.

Sovereign risk exposure and country lending limits are managed with reference to the economic and political conditions in various parts of the world where the Bank extends credit. Specific lending limits are established for each country and individual borrower.

The following table shows the distribution of the Bank's loan portfolio net of the provisions for losses as at the dates shown:

	(in thousands of dollars) As at September 30 (1)				
	1984	1983	1982 (unaudited)	1981	1980
Canadian currency					
Personal loans and mortgages	$ 849,033	$ 824,051	$ 846,734	$ 822,427	$ 627,179
Industrial and merchandising	455,552	339,278	400,289	435,831	366,933
Real estate and construction	294,098	311,593	374,485	273,169	153,098
Financial institutions	106,456	131,531	112,193	80,468	66,851
Other loans	238,500	224,609	215,100	302,197	239,457
Total Canadian	1,943,639	1,831,062	1,948,801	1,914,092	1,453,518
Foreign currency (2)	586,453	534,296	536,746	354,422	206,351
Total loans (3)	$2,530,092	$2,365,358	$2,485,547	$2,268,514	$1,659,869

(1) Reported as at September 30 rather than October 31 for regulatory reporting purposes.

(2) As at September 30, 1984, approximately 95.4% of foreign currency loans were in U.S. dollars. The majority of such loans were to governments and government agencies and to the real estate and energy sectors.

(3) As at September 30, 1984, Canadian currency fixed rate loans were $694 million and foreign currency fixed rate loans were $33 million.

Foreign Currency Assets

Foreign currency assets of the Bank are composed primarily of foreign currency loans and deposits with other banks in U.S. dollars.

As the table below indicates, as at October 31, 1984, approximately 24% of the Bank's assets were denominated in foreign currency and, as at September 30, 1984, approximately 56% of such foreign currency assets were distributed between Canada and the United States of America, based on location of ultimate risk.

Foreign Currency Assets (1)	1984	1983	1982
As at October 31 (millions of dollars)	$749.0	$736.9	$802.1
As a percentage of total assets at October 31	24.4%	24.1%	24.6%
	1984	1983	1982
As at September 30 (millions of dollars) (unaudited)	$763.0	$738.6	$743.7
As a percentage of total assets at September 30	24.6%	24.6%	23.3%

Distribution of Foreign Currency Assets as at September 30	1984	1983	1982
Canada	50.1%	49.6%	36.4%
United States	6.0	5.4	13.1
Asia/Pacific			
Japan	7.4	7.0	10.0
South Korea	4.8	5.2	4.2
Other	4.4	7.6	6.3
Europe			
Italy	4.0	4.1	5.0
Spain	2.5	2.2	1.8
Other	6.8	5.5	8.3
Latin America and Caribbean			
Mexico	8.0	7.7	8.9
Brazil	4.4	4.2	3.7
Other	1.6	1.5	2.3
	100.0%	100.0%	100.0%

(1) Reported as at September 30 (except as otherwise stated) rather than October 31 for regulatory reporting purposes. Foreign currency assets are expressed in Canadian dollar equivalent. The location of ultimate risk is defined as the location of the borrower, or, if guaranteed, the guarantor.

(2) The countries noted separately above represent those countries to which more than 1% of the Bank's risk assets are attributable. Risk assets for this purpose are defined as deposits with other banks, securities, loans (excluding mortgages) and customers' liabilities under acceptances.

There are foreign exchange restrictions in certain of the countries in which the Bank carries on its operations. These restrictions do not have any material effect on the Bank's international operations.

Land and Premises

The Bank acquired on July 29, 1980 a 50.1% beneficial interest in a property located at the corner of Georgia and Hornby Streets in the centre of Vancouver's business district. On February 24, 1984 the Bank entered into a long term land lease with a subsidiary of Imperial Life Assurance Company, which will construct a major office tower on the property. Total annual base rent to the Bank for the land will be approximately $961,920 for each of the first three years, the greater of base rent or approximately 11.5% of net income for each of the next five years, rising to the greater of base rent or approximately 12.5% of net income in each year thereafter. Following completion of construction, the Bank will relocate its Head Office Departments to the office tower which is expected to be identified with the name of the Bank. At the end of the sixth year of its occupancy and, if not exercised, again at the end of the eleventh year the Bank has an option to purchase a 25% interest in the building at a price based on 25% of the net income of the building capitalized at 8.5%.

In addition, the Bank owns the premises of three of its 50 domestic branch locations and the remainder are leased. As well, the Bank owns a property in the central business district of Kamloops for possible development in the future to satisfy its branch requirements.

As at October 31, 1984 the net book value of the Bank's real estate properties amounted to $15.9 million, exclusive of furniture, fixtures, leasehold improvements, computer equipment and other equipment. The market value of the Bank's real estate properties is not available.

Deposits

The following table presents the classification of the Bank's deposits as at the dates shown:

	(in thousands of dollars) As at October 31				
	1984	1983	1982	1981	1980
Deposits by Canada	$ 22,004	$ 40,039	$ 35,199	$ 45,479	$ 35,673
Deposits by provinces	121,994	33,620	40,915	13,857	27,646
Deposits by banks — in Canadian currency	181,195	31,704	2,975	3,286	6,682
— in currencies other than Canadian	542,940	480,123	377,999	374,871	171,951
Deposits by individuals	1,234,177	1,367,616	1,363,541	1,355,325	1,095,019
Other deposits — in Canadian currency	627,392	658,779	907,987	706,680	553,324
— in currencies other than Canadian	162,687	186,767	304,676	232,701	249,711
	$2,892,389	$2,798,648	$3,033,292	$2,732,199	$2,140,006

The Bank's marketing strategy has been directed primarily to the acquisition and retention of deposits by individuals. These deposits are considered to be relatively more stable and have a lower interest expense than wholesale funds. Innovative deposit instruments such as the Pioneer Savings Plan for senior citizens and the Bank's daily interest accounts, the Bonanza Account, the Pioneer Bonanza Account and the Cash Investment Account, have helped to attract deposits by individuals. The recent decline in deposits by individuals results from the adverse economic conditions in British Columbia and Alberta, recent Canada Savings Bond campaigns, and increased competition including retail purchases of Canada Treasury Bills.

Debenture Maturities

The aggregate sinking fund requirements for the next five years of the Bank's debentures outstanding at October 31, 1984 are $70,000. The aggregate sinking fund requirements and maturities of the Bank's debentures as at October 31, 1984 are shown in the following table:

	(in thousands of dollars)
Within 1 year	$ 3,014
From 1 to 2 years	14
Over 2 to 3 years	14
Over 3 to 5 years(1)	10,028
Over 5 to 10 years	278
Over 10 years	—

(1) The Bank's 10¼% debentures maturing May, 1989 may be redeemed at the Bank's option at anytime until maturity.

Loan Loss Experience

Specific provisions for anticipated losses on loans are established by an annual review on an account by account basis and are initially recommended by the responsible credit officers and subsequently approved by senior management. In addition, the Bank makes general provisions for possible losses on sovereign risk loans. As at October 31, 1984 the Bank had specific and general provisions for losses of approximately $55.6 million which it considers adequate to cover possible losses on its loan portfolio. The annual amount recorded as loan loss experience in the Consolidated Statement of Appropriations for Contingencies represents the net change in provisions for losses less recoveries on loans previously written off.

The provision for loan losses, an amount determined by a formula established by the Minister of Finance, is charged to income and credited to appropriations for contingencies. The annual provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the year.

Following consultation with the Inspector General of Banks, commencing in fiscal 1985 the Bank will apply the rules for the determination of the provision for future loan losses using a ratio of loan losses to eligible loans similar to the ratio experienced by the Bank in the years prior to 1982. This will be accomplished by replacing the actual loan loss experience for the years 1982 to 1984 in the above mentioned formula with amounts representing normalized loan losses of 0.40% of eligible loans.

The following table shows the loan loss experience and the amounts of the provisions for loan losses recorded for the years indicated:

	(in thousands of dollars) Years ended October 31				
	1984	1983	1982	1981	1980
Provision for loan losses included in the Consolidated Statement of Income	$ 37,881	$ 22,703	$ 15,347	$ 9,515	$ 7,225
Less loan loss experience	85,370	51,325	27,993	9,038	6,692
Net credit (charge) to appropriations for contingencies	$ (47,489)	$ (28,622)	$ (12,646)	$ 477	$ 533
Eligible loans (1)	$2,634,330	$2,372,789	$2,535,969	$2,298,450	$1,736,187
As an annual percentage of eligible loans:					
Provision for loan losses	1.44%	0.96%	0.61%	0.41%	0.42%
Loan loss experience	3.24%	2.16%	1.10%	0.39%	0.39%

(1) Eligible loans include loans, acceptances, letters of credit and guarantees but exclude loans to or guaranteed by the government of Canada or a province (and prior to October 1983, the governments of the United States of America and the United Kingdom).

The following table shows the domestic and foreign loan loss experience recorded for the years indicated:

	(in thousands of dollars) Years ended October 31				
	1984	1983	1982	1981	1980
Domestic loss experience	$78,316	$51,375	$25,293	$7,788	$7,081
Foreign loss experience	7,054	(50)	2,700	1,250	(389)
Loss experience	$85,370	$51,325	$27,993	$9,038	$6,692

A loan recovery group within the Bank's Corporate Credit Department supervises loan recovery procedures in order to minimize the ultimate loss on existing and potentially delinquent corporate loans of the Bank.

Appropriations for Contingencies

The appropriations for contingencies, a component of the Bank's capital funds, appears under "Capital and Reserves" on the Bank's Consolidated Statement of Assets and Liabilities. In addition to being affected by the loan loss experience and the provision for loan losses as explained under "Loan Loss Experience", the appropriations for contingencies may also be adjusted by transfers to or from retained earnings.

The appropriations for contingencies consists of two elements: tax-allowable and tax-paid. The tax-allowable portion is limited by regulations prescribed by the Minister of Finance to an amount equal to a percentage (1½% of the first $2 billion and 1% of the excess thereof) of eligible assets. Transfers to tax-allowable appropriations for contingencies are made on a tax-deductible basis. In addition, the Bank may make transfers from retained earnings to tax-paid appropriations for contingencies as deemed appropriate by management.

The above transfers are in addition to the provisions for losses on loans that have been deducted in determining the carrying value of loans as reported in the Consolidated Statement of Assets and Liabilities.

The following table sets forth the Bank's appropriations for contingencies as at the dates shown:

	(in thousands of dollars) As at October 31				
	1984	1983	1982	1981	1980
Tax-allowable appropriations	$(60,466)	$(13,400)	$ 4,675	$17,330	$13,635
Tax-paid appropriations	16,679	17,102	10,649	4,640	154
Total	$(43,787)	$ 3,702	$15,324	$21,970	$13,789

Non-Performing Loans

The Bank has two categories of non-performing loans: non-accrual loans and renegotiated reduced rate loans. Loans are placed on a non-accrual basis whenever there is, in the opinion of management, doubt as to the collectibility of some portion of principal or interest or when interest on a loan has not been collected for a period of 90 days, unless senior credit management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest. The amount of this overdue interest is charged against current year's income. Interest income on non-accrual loans is recorded on a cash basis.

Renegotiated reduced rate loans are loans in respect of which the terms have been modified to provide for a reduction in the interest rate due to the weakened financial condition of the borrower.

The following table sets forth the Bank's non-performing loan position at the dates shown.

	(in thousands of dollars) As at October 31					
	1984			1983		
	Domestic	International	Total	Domestic	International	Total
Non-accrual loans	$89,274	$10,910	$100,184	$131,113	$11,112	$142,225
Renegotiated reduced rate loans	6,693	—	6,693	—	—	—
Provisions for losses	(42,046)	(5,354)	(47,400)	(49,805)	(3,900)	(53,705)
Net non-performing loans	$53,921	$ 5,556	$ 59,477	$ 81,308	$ 7,212	$ 88,520

The Bank believes that the provisions for losses at October 31, 1984 in respect of these loans are adequate to cover possible losses on these loans.

Analysis of Operating Results

The Bank's operating results for the three years ended October 31, 1984 are set forth below:

	(in thousands of dollars except where noted) Years ended October 31					
	1984		1983		1982	
	Amount	Percent (1)	Amount	Percent (1)	Amount	Percent (1)
Net interest and other income:						
Interest income	$337,492	10.79 %	$351,666	11.30%	$487,752	15.26%
Interest expense	256,264	8.19	247,850	7.96	402,531	12.59
Net interest income	81,228	2.60	103,816	3.34	85,221	2.67
Add taxable equivalent adjustment (2)	7,037	0.22	11,976	0.38	18,919	0.59
Net interest income — taxable equivalent basis	88,265	2.82	115,792	3.72	104,140	3.26
Less provision for loan losses	37,881	1.21	22,703	0.73	15,347	0.48
Net interest income after loan loss provision	50,384	1.61	93,089	2.99	88,793	2.78
Other income	17,770	0.57	15,813	0.51	16,626	0.52
Net interest and other income	68,154	2.18	108,902	3.50	105,419	3.30
Non-interest expenses:						
Salaries and benefits	50,317	1.61	54,163	1.74	51,384	1.61
Premises and equipment expenses, including depreciation	14,453	0.46	13,091	0.42	11,441	0.36
Other expenses	16,564	0.53	16,946	0.55	19,641	0.61
Total non-interest expenses	81,334	2.60	84,200	2.71	82,466	2.58
Net income (loss) before provision for income taxes	(13,180)	(0.42)	24,702	0.79	22,953	0.72
Provision (credit) for income taxes (2)	(6,190)	(0.20)	12,576	0.40	11,219	0.35
Net income (loss)	$ (6,990)	(0.22)%	$ 12,126	0.39%	$ 11,734	0.37%
Net income (loss) per common share	$ (2.01)	—	$ 2.20	—	$ 2.51	—
Return on common equity (3)	(11.7)%	—	10.0%	—	10.1%	—

(1) Percentage of average total assets of: 1984, $3,128 million; 1983, $3,111 million; 1982, $3,196 million.

(2) A taxable equivalent adjustment is a credit to interest income which converts the interest income attributable to tax-exempt securities to an amount which, had it been taxable, would result in the same after tax net income as appears in the financial statements. Tax-exempt income from Canadian securities including income debentures, small business development bonds and term preferred shares of Canadian corporations has been converted to a taxable equivalent basis. The provision for income taxes has been adjusted by a corresponding amount. Tax-exempt income of $6.9 million, $11.4 million and $17.3 million for the years ended October 31, 1984, 1983 and 1982 respectively was grossed-up using a tax rate of 50.5%, 51.3% and 52.2% respectively.

(3) Net income (loss) less preferred dividend obligations divided by average capital and reserves less preferred share capital.

The Bank is not, at this time, taking any steps which will materially affect its holding of tax exempt securities.

The principal factors affecting the Bank's operating results in the past three years have been variations in interest rates and the worldwide and Western Canadian economic downturn which severely affected both the Bank and its customers throughout this period. This downturn followed a period of sustained inflation which assisted the Bank in more than doubling its assets in the five years ended October 31, 1983. During this inflationary period interest rates reached extremely high levels peaking in August, 1981. The adverse effects on the Bank's customers of the sustained high level of interest rates combined with the deteriorating economic environment have led to substantially increased loan loss

experience. While the level and volatility of interest rates have both declined, effects of the recession in British Columbia and Alberta are expected to continue for some period of time.

1982 Compared to 1981

Net income for fiscal 1982 was $11.7 million, a decrease of 32.3% from fiscal 1981 earnings of $17.3 million. This decrease was mainly attributable to the significant increase in the provision for loan losses and the higher level of non-performing loans resulting from the poor economic conditions prevailing throughout the year. The provision for loan losses in fiscal 1982 was $15.3 million, up from $9.5 million for fiscal 1981. This provision is based on a five year average in accordance with regulations prescribed by the Minister of Finance. Actual loan loss experience in fiscal 1982, calculated according to the Bank's net change in loan loss reservations for individual accounts less recoveries on loans previously written off, was $28.0 million compared to $9.0 million for fiscal 1981. The difference between actual loan loss experience and the provision for loan losses in fiscal 1982 of $12.6 million was charged to capital and reserves as a reduction of appropriations for contingencies. Net income for fiscal 1982 included a tax credit of $7.7 million arising out of non-taxable income of $17.3 million from securities of and investments in taxable Canadian corporations. These tax exempt revenues increased from $10.5 million in fiscal 1981 largely as a result of the increased level of loans under the federal government's small business development program.

A contributing factor to lower net income in fiscal 1982 was a decline in interest spreads resulting from the fall in interest rates during this period. Rates of return on average assets and common equity declined substantially to 0.37% and 10.1%, respectively, for fiscal 1982 compared to 0.66% and 19.4%, respectively, for fiscal 1981 as a result of lower net income.

1983 Compared to 1982

The Bank's net income for fiscal 1983 was $12.1 million compared to $11.7 million for fiscal 1982 and net income before provision for income taxes was $12.7 million for fiscal 1983 compared to $4.0 million for fiscal 1982. The improvement was the result of an increase in net interest income more than offsetting the significant increase in the loan loss provision. The growth in net interest income was entirely due to improved spreads made possible by lower and more stable interest rates in 1983 than in 1982. The lower interest rates which prevailed in 1983 compared to 1982 resulted in a considerable improvement in the profitability of the Bank's fixed rate loan portfolio and reduced the negative impact on earnings of carrying non-performing loans.

Loan losses continued to be a problem for the Bank in 1983. The Bank's actual loan loss experience in fiscal 1983 was $51.3 million, up 83.3% from $28.0 million in fiscal 1982. The provision for loan losses in fiscal 1983 was $22.7 million representing a 47.9% increase over the fiscal 1982 level of $15.3 million.

During fiscal 1983 the Bank's assets declined by 6.0% from $3.3 billion at October 31, 1982 to $3.1 billion at October 31, 1983. This decline in assets was the result of weak loan demand in the provinces of British Columbia and Alberta.

1984 Compared to 1983

The primary reasons for the decline in net income were lower net interest income and an increase in the provision for loan losses. The most significant occurrence during fiscal 1984 was the financial restructuring undertaken by the Bank during the month of October. The result of this restructuring, discussed more fully under the heading "Current Position of the Bank", was to raise a substantial amount of new Common Share capital and, at the same time, to dispose of certain non-performing loans and other assets.

The decline in net interest income was the result of narrowing interest rate spreads caused primarily by interest rate increases during fiscal 1984. The fixed rate nature of the Bank's consumer loan and mortgage portfolios resulted in the yield of these portfolios lagging behind the increase in the cost of funds during a period of rising interest rates. Higher interest rates also increased the cost of funding the Bank's non-performing loans during 1984.

The provision for loan losses was $37.9 million in 1984 compared to $22.7 million for 1983. This increase was a consequence of the rules prescribed by the Minister of Finance, as described under "Loan Loss Experience", for computing the provision for loan losses and of the Bank's financial restructuring that occurred in late 1984. Actual loss experience in 1984 was $85.4 million, up $34.1 million from the 1983 level. Approximately 54% of the 1984 loss experience was due to the recognition of losses on non-performing loans sold by the Bank as described under "Asset Sale".

Non-interest expenses declined $2.9 million or 3.4% over the 1983 level of $84.2 million. This reduction occurred primarily as a result of the continuing restraint program instituted by the Bank in early 1983.

Provision for Income Taxes

The income and capital gains of the Bank are taxed under the provisions of the Income Tax Act (Canada) and the income tax acts of the provinces of Canada at the standard rates of tax prescribed by these statutes, less appropriate credits for income taxes incurred and paid to foreign countries.

The Bank's provision for income taxes, as reported in the Consolidated Statement of Income, differs from the product of net income before taxes multiplied by the Bank's marginal tax rate. The major reasons for this are that certain sources of income are tax-exempt and others are taxed at less than the marginal rate.

Personnel

As at October 31, 1984 the Bank had approximately 1,685 employees. A portion (24 employees) of one of the Bank's fifty domestic branches is represented by the Union of Bank Employees pursuant to a collective agreement which expires April 10, 1985.

Intercorporate Relationships

There are no subsidiaries which account for more than 10% of the assets and operating revenues of the Bank on a consolidated basis. The following table lists subsidiaries, all of which are wholly-owned, which carry on aspects of the Bank's business.

Name	Head Office address	Jurisdiction of incorporation
British Columbia Financial Corp. (H.K.) Limited	3407 Gloucester Tower The Landmark 11 Pedder St. Hong Kong	Hong Kong
Bank of British Columbia (International) Limited	P.O. Box 2198 Transnational House Grand Cayman Cayman Islands British West Indies	Cayman Islands
WestBank Leasing Limited	1235-555 Burrard St. Vancouver, B.C. Canada	Canada
Bank of British Columbia Mortgage Corporation	1235-555 Burrard St. Vancouver, B.C. Canada	Canada
BBC Realty Ltd.	1235-555 Burrard St. Vancouver, B.C. Canada	British Columbia
BBC Investments Ltd.	1235-555 Burrard St. Vancouver, B.C. Canada	British Columbia
BBC-RI Services Ltd.	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia
BBC Realty Investments Limited	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia

Name	Head Office address	Jurisdiction of incorporation
BBC Realty Investors	635-555 Burrard St. Vancouver, B.C. Canada	(1)
KQX Realty Holdings Ltd.	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia
REIT Properties Ltd.	635-555 Burrard St. Vancouver, B.C. Canada	British Columbia

(1) BBC Realty Investors is an unincorporated trust established under the laws of British Columbia.

THE BANK ACT

General

The operations of the Bank are governed by the Bank Act and also by the respective laws of the countries in which it carries on its operations. The Bank Act provides for the appointment of an Inspector General of Banks who is responsible for examination and inquiry into the affairs and business of each Canadian chartered bank for the purpose of satisfying himself that the provisions of the Bank Act, relating to the safety of the depositors, creditors and shareholders of the bank, are being fully observed and that each bank is in a sound financial condition. At the conclusion of each examination and inquiry a report thereon is submitted to the Minister of Finance.

The Bank Act was revised effective December 1, 1980 for a period of ten years, and contains a number of new provisions which expand the operational scope of Canadian chartered banks permitting them, among other things, to control leasing, factoring, mortgage loan and venture capital corporations. These new provisions also provide greater flexibility in raising capital by permitting the issuance of preferred shares, convertible securities and bank debentures all of which may be denominated in currencies other than Canadian currency. The Bank Act now facilitates the formation of new banks in Canada and also the conversion of Canadian financial institutions and Canadian affiliates of foreign banks into banks.

Audit

The Bank maintains an inspection department with an experienced staff for the purpose of carrying out comprehensive inspections of each of its branches at least once every 18 months.

An examination of the affairs of each chartered bank is also carried out annually by two firms of qualified accountants, acting jointly, who are appointed by the bank's shareholders to act as auditors.

AGENCY AGREEMENT

Under an agreement dated January 4, 1985 (the "Agency Agreement") between the Bank and Dominion Securities Pitfield Limited, Pemberton Houston Willoughby Incorporated, Wood Gundy Inc., Odlum Brown Limited and McLeod Young Weir Limited (the "Agents"), the Agents have agreed to provide the following services to the Bank in connection with this offering.

With respect to the Offer to Certain Shareholders, the Agents have agreed to form and manage a Facilitating Dealer Group in which all members of the Investment Dealers Association of Canada, the Vancouver Stock Exchange, the Alberta Stock Exchange, The Toronto Stock Exchange and the Montreal Exchange will be invited to join for the purpose of soliciting subscriptions for the Common Shares. Subject to the provisions of the Facilitating Dealer Group agreement, the Bank has agreed to pay to each member of the Facilitating Dealer Group a fee of $0.10 per share in respect of each Common Share for which a subscription is procured by such member, subject to a maximum fee of $2,000 in respect of shares subscribed for by or on behalf of any single beneficial owner of Common Shares on the Determination Date.

The Bank has also agreed to pay the Agents a management fee of $300,000 and an additional fee of $0.03 per share for each Common Share subscribed for under the Offer to Certain Shareholders.

With respect to the Offer to the Public, the Agents have agreed to use their respective best efforts to sell the Common Shares not subscribed for under the Offer to Certain Shareholders and the additional 5,128,432 Common Shares offered hereby. It is intended that the Common Shares will be offered in Canada and elsewhere outside the United States of America, its territories and possessions. The Agents will receive a commission of $0.17 per share for each share sold. At the request of the Bank the Agents have agreed to make available to purchasers of Common Shares under the Private Offering described under "Current Position of the Bank" a number of Common Shares to be determined during the course of the offering; no commission will be paid to the Agents for Common Shares sold to such purchasers under the Offer to the Public. By agreement between the Bank and the Agents sales of Common Shares to employees of the Bank, not exceeding 500 shares per employee, will be effected by the Bank directly to such employees and neither the Agents nor the Bank will receive any commission in respect of such sales.

The Agents are not obliged to purchase any of the Common Shares offered hereby which are not sold. The Agency Agreement provides that the Agents may terminate the Offer to the Public at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events; the obligation of subscribers to purchase Common Shares under the Offer to the Public would then terminate.

In connection with this offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

APPLICATION OF PROCEEDS

The proceeds to the Bank from the sale of the Common Shares offered hereby, after deducting estimated expenses of issue and the maximum amount of fees payable to the Agents to be paid out of the general corporate funds of the Bank, will amount to a minimum of $110,070,000. Such proceeds will be added to the Bank's general funds and will be utilized for general banking purposes. The purpose of this issue is to enlarge the Bank's capital base allowing it to pursue opportunities for profitable growth in both its domestic and international activities.

SUBORDINATED DEBT, CAPITAL AND RESERVES OF THE BANK

(in thousands of dollars)

	Authorized	Outstanding as at October 31, 1984	November 30, 1984	November 30, 1984 after giving effect to this issue
Bank Debentures (1)				
7½% sinking fund debentures maturing November, 1991	$ 5,000	$ 348	$ 348	$ 348
9¾% debentures maturing September, 1985	3,000	3,000	3,000	3,000
10¼% debentures maturing May 1989, redeemable at the Bank's option at anytime until maturity	10,000	10,000	10,000	10,000
		13,348	13,348	13,348
Capital and Reserves				
Appropriations for Contingencies (2)				
Tax-allowable		(60,466)	(60,466)	(60,466)
Tax-paid		16,679	16,679	16,679
Total Appropriations for Contingencies		(43,787)	(43,787)	(43,787)
Shareholders' Equity				
Capital Stock:				
Preferred Shares without nominal or par value, issuable in series	$ 75,000 (3,000,000 shs.)			
$2.28 cumulative redeemable preferred shares, Series A		17,670 (706,800 shs.)	17,670 (706,800 shs.)	17,670 (706,800 shs.
$2.22 cumulative redeemable preferred shares, Series B		20,000 (800,000 shs.)	20,000 (800,000 shs.)	20,000 (800,000 shs.
Common Shares without nominal or par value	$500,000 (unlimited)	72,225 (5,169,526 shs.)	158,899 (3) (19,615,239 shs.) (3)	272,899 (4) (38,615,239 shs.) (4)
Retained Earnings		8,655	8,611 (5)	6,666 (6)
Total Shareholders' Equity		118,550	205,180	317,235
Total Subordinated Debt, Capital and Reserves		$ 88,111	$174,741	$286,796

(1) The debentures are unsecured, rank equally and are subordinated to the claims of depositors and other creditors.

(2) Reference is made to Note 2(f) to the Consolidated Financial Statements.

(3) Including Common Shares issued pursuant to the Merger Agreement and the Private Offering.

(4) Assuming the issuance of 19,000,000 Common Shares for aggregate proceeds of $114,000,000.

(5) As at October 31, 1984 less issue expenses, net of income taxes, related to the Merger Agreement and the Private Offering.

(6) As in (5) above less estimated maximum issue expenses, net of income taxes, related to the offering.

DILUTION

As at October 31, 1984 the book value per Common Share was $7.18 and after giving effect to the private placement of 12 million Common Shares and the merger with BBC Realty Investors, the book value per Common Share was $6.31. After giving effect to the issuance of the 19,000,000 Common Shares at $6.00 per share offered hereby, the book value per Common Share as at October 31, 1984 would be $6.11.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Bank consists of an unlimited number of Common Shares without nominal or par value, issuable for an aggregate consideration not exceeding $250,000,000 and 3,000,000 preferred shares (the "Preferred Shares") without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000. At a special general meeting held on November 21, 1984 the holders of Common Shares passed a resolution to increase the aggregate consideration for which the Common Shares may be issued from $250,000,000 to $500,000,000. The approval of the Minister of Finance and the Governor in Council is required for the increase in authorized capital. Such approval was granted on December 20, 1984. As at November 30, 1984 there were 19,615,239 Common Shares issued and outstanding representing an aggregate issue price of $158,899,000, 706,800 $2.28 Cumulative Redeemable Preferred Shares, Series A (the "Series A Preferred Shares") representing an aggregate issue price of

$17,670,000 and 800,000 $2.22 Cumulative Redeemable Preferred Shares, Series B (the "Series B Preferred Shares") representing an aggregate issue price of $20,000,000.

The following is a summary of the material provisions attaching to the Common Shares and the Preferred Shares of the Bank and is qualified in its entirety by reference to the full text of the rights, privileges, restrictions and conditions of the said shares, which may be inspected at the head office of the Bank during normal business hours.

Common Shares

Subject to the rights, privileges, restrictions and conditions attaching to the Preferred Shares and in addition subject to the rights, privileges, restrictions and conditions contained in the Bank Act, the holders of the Common Shares are entitled:

(a) to vote at all meetings of shareholders except meetings at which only holders of a specified series of Preferred Shares are entitled to vote;

(b) to receive any dividend thereon as and when declared by the Directors of the Bank; and

(c) in the event of liquidation, dissolution or winding-up of the Bank, to receive the remaining property of the Bank after satisfaction of all creditors and any senior class of equity.

Preferred Shares

The following summarizes the material provisions applicable to the Preferred Shares.

Issuable in Series

The Preferred Shares may be issued from time to time in one or more series, each series consisting of such number of Preferred Shares and having attached thereto such designation, rights, privileges, restrictions and conditions as may be fixed by the Directors of the Bank in their sole discretion.

Ranking of Preferred Shares

The shares of each series of Preferred Shares shall, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank, rank equally with the shares of every other series of Preferred Shares and be entitled to preference over the Common Shares and the shares of any other class of shares of the Bank ranking junior to the Preferred Shares.

Voting Rights

Subject to the provisions of the Bank Act and except as otherwise expressly provided in the rights, privileges, restrictions and conditions attaching to the Preferred Shares or any series thereof, the holders of Preferred Shares do not, as such, have any voting rights for the election of Directors of the Bank or for any other purpose, nor are they entitled to receive any notice of or attend shareholders' meetings save and except meetings of shareholders called for the purpose of authorizing the dissolution of the Bank or the sale of its undertaking or a substantial part thereof or unless the Bank shall fail to pay eight quarterly dividends whether consecutive or not on the Series A Preferred Shares or the Series B Preferred Shares in which case the holders of such shares will be entitled to one vote for each such share held at all meetings of shareholders until all such dividends in arrears have been paid.

Creation and Issue of Shares

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of a given class, create any other class of shares ranking equal or prior to the given class. The Bank shall not, without the prior approval of the holders of Preferred Shares as a class (and subject always to such approval as may be required by the Bank Act or any other applicable law):

(a) create or issue any shares ranking in priority to the Preferred Shares; or

(b) create or issue any additional series of Preferred Shares or any shares ranking equal to the Preferred Shares unless all cumulative dividends shall have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding

and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative Preferred Shares then issued and outstanding.

Modification

Approval of amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class and any other approval required to be given by the holders of Preferred Shares may be given by a resolution carried by an affirmative vote of not less than two-thirds of the votes cast at a meeting at which the holders of not less than twenty percent of the outstanding Preferred Shares are present or represented by proxy.

Dividends

The holders of Series A Preferred Shares and Series B Preferred Shares are entitled respectively, to receive out of monies of the Bank properly applicable to, and as and when declared by the Directors of the Bank, fixed, cumulative, preferential cash dividends at the rate of $2.28 per Series A Preferred Share per annum and at the rate of $2.22 per Series B Preferred Share per annum. Such dividends are cumulative from the date of issue of said shares and are payable quarterly.

Purchase for Cancellation

Subject to the provisions of the Bank Act and, in particular, the prior approval of the Inspector General of Banks, the Bank may at any time or times purchase for cancellation outstanding Series A Preferred Shares or Series B Preferred Shares at the lowest price obtainable not exceeding the then applicable price per share described in the rights, privileges, restrictions and conditions attaching to the Preferred Shares purchased plus accrued and unpaid dividends and costs of purchase.

Redemption

The Series A Preferred Shares and the Series B Preferred Shares are not redeemable prior to October 30, 1984 and July 1, 1988 respectively. Thereafter, subject to the provisions of the Bank Act and, in particular, to the prior approval of the Inspector General of Banks, the Bank may redeem preferred shares in whole or in part in accordance with the rights, privileges, restrictions and conditions attaching to the series of Preferred Shares being redeemed.

Restrictions on Dividends and Retirement of Shares

Dividends may not be declared, paid or set apart for payment on any shares ranking junior to the Preferred Shares, nor may such shares be redeemed or purchased, nor may less than all of the Series A Preferred Shares or Series B Preferred Shares be redeemed unless all quarterly dividends shall have been declared and paid or set apart for payment in respect of each Series of Preferred Shares.

Purchase Obligation

Subject to provisions of the Bank Act, the Bank is obligated to use all reasonable efforts to purchase in the market in each calendar quarter 6,000 Series A Preferred Shares at prices not exceeding $25.00 per share plus costs of purchase. Commencing July 1, 1988, the Bank is obligated to use all reasonable efforts to purchase in the market in each calendar quarter 6,000 Series B Preferred Shares and commencing July 1, 1995 to purchase in each calendar quarter 0.75% of the number of Series B Preferred Shares outstanding on June 30, 1995, all said purchases at prices not exceeding $25.00 per share plus costs of purchase.

Series B Preferred Shares Retraction Privilege

The holders of Series B Preferred Shares will have the right to require the Bank to redeem all or a part of their Series B Preferred Shares on June 1, 1995 at the price of $25.00 per share plus all accrued and unpaid dividends. The ability to exercise the retraction privilege is subject to specific restrictions under the Bank Act.

Rights on Liquidation

In the event of the liquidation, dissolution, or winding-up of the Bank, the holders of the Preferred Shares shall be entitled to receive $25.00 per share together with all accrued and unpaid cumulative dividends thereon to the date of payment before any amount shall be paid or any assets of the Bank shall be distributed to the holders of any shares ranking junior to the Preferred Shares. Upon payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the assets of the Bank.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares of the Bank are listed and traded on the Vancouver, Alberta, and Toronto stock exchanges. The following table sets forth the closing price range and volume of the Common Shares on The Toronto Stock Exchange for the periods indicated:

		Closing Price Range		
Period		High	Low	Volume
1982	Fourth quarter	$19	$14¼	154,957
1983	First quarter	20¾	16¾	128,660
	Second quarter	21½	18	651,778
	Third quarter	19	16	523,275
	Fourth quarter	16	13⅞	522,449
1984	First quarter	16½	12⅞	496,765
	Second quarter	13¾	9	436,145
	July	9⅞	8¼	56,268
	August	8¾	7¾	52,151
	September	10⅝	8	119,533
	October	10½	6⅜	315,845
	November	6⅝	6	300,687
	December	6¾	5¾	632,975
1985	January 1 to 3	6⅝	6¼	27,982

The reported closing sale price for the Common Shares on The Toronto Stock Exchange on January 3, 1985 was $6½.

DIVIDEND RECORD

The dividends paid on the Common Shares, the Series A Preferred Shares and the Series B Preferred Shares of the Bank in respect of the five years ended October 31, 1984 are shown in the following table:

	Years ended October 31				
	1984	1983	1982	1981	1980
Dividends paid per Common Share (1)	$0.36	$0.72	$0.72	$0.64	$0.56
Dividends paid					
per Series A Preferred Share (2)	$2.28	$2.28	$2.28	$2.28	$1.243
per Series B Preferred Share (3)	$2.22	$0.68	—	—	—

(1) After giving effect to the two for one subdivision on March 15, 1982.

(2) Prior to June, 1981 these dividends were paid by BBC Mortgage Ltd. See Note 3 to the Consolidated Financial Statements.

(3) The Series B Preferred Shares were issued on May 12, 1983 and the first dividend was paid on September 1, 1983.

(4) The Bank paid regular quarterly dividends on the Series A and Series B Preferred Shares on December 15 and December 1 respectively. On January 2, 1985 the Bank declared the regular quarterly dividend on the Series B Preferred Shares payable on March 1, 1985.

During its first two quarters of fiscal 1984, the Bank paid dividends on its Common Shares totalling $0.36 per Common Share in respect of operations during its fourth quarter of fiscal 1983 and its first quarter of fiscal 1984. Because of prevailing economic conditions, the Board of Directors of the Bank decided not to pay a dividend to holders of Common Shares in respect of operations during its second through fourth quarters of fiscal 1984. The Board has indicated its intention to review the payment of Common Share dividends on a quarterly basis.

As described under "Regulatory Matters" one of the undertakings being discussed with the Inspector General of Banks is a requirement that the Bank not pay cash dividends on its Common Shares, without

prior consultation with and the consent of the Inspector General of Banks, until the deficit in the appropriations for contingencies account has been eliminated. The Bank is not precluded by the undertakings from paying stock dividends. As at November 30, 1984, after giving effect to the issue of the 19 million Common Shares offered hereby, the Bank would have retained earnings of $6,666,000 and a deficit in appropriations for contingencies of $43,787,000. The annual dividend requirements for the Bank's Preferred Shares amount to approximately $3,400,000. See "Eligibility for Investment".

DIRECTORS AND SENIOR OFFICERS

Board of Directors

Name and Municipality of Residence	Principal Occupation	Position or Office Held with the Bank
Edgar Fosburgh Kaiser, Jr. (1) Vancouver, B.C.	Chairman, President & Chief Executive Officer of the Bank	Chairman, President & Chief Executive Officer
Arthur Fouks, Q.C. Vancouver, B.C.	Associate Counsel Ray, Connell, Lightbody, Reynolds & Heller (Barristers & Solicitors)	Board Vice-President
Arthur Hoadley Mitchell Edmonton, Alberta	Chairman Mitchell & Associates Ltd. (Oil & Gas Consultants)	Board Vice-President
Russell James Bennett Kelowna, B.C.	President M.W. Stores Ltd. (Merchants)	Director
Arthur John Block Vancouver, B.C.	President A.R. Holdings Ltd. (Investments)	Director
Harry Booth (2) Calgary, Alberta	Chairman & Chief Executive Officer Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Company Ltd. (Natural Gas Distribution)	Director
Thomas Allan Buell (1) Vancouver, B.C.	Chairman, President & Chief Executive Officer Weldwood of Canada Ltd. (Forest Products)	Director
Donald McGillivray Clark, Q.C. (3) Vancouver, B.C.	Senior Partner Clark, Wilson (Barristers & Solicitors)	Director
Victor Dobb Vancouver, B.C.	Executive Vice President of the Bank	Executive Vice President
Alfred William Everett (2) Vancouver, B.C.	Chairman Dominion Vancouver Motors Limited (Automobile Dealers)	Director
Albert Earl Hall Vancouver, B.C.	Adviser to the Bank	Director

Name and Municipality of Residence	Principal Occupation	Position or Office Held with the Bank
Robert Edward Kadlec West Vancouver, B.C.	President & Chief Executive Officer Inland Natural Gas Co. Ltd. (Natural Gas Distribution)	Director
John Custance Kerr Vancouver, B.C.	President Lignum Ltd. (Forest Products)	Director
David See-Chai Lam Vancouver, B.C.	Chairman & President Canadian International Properties Ltd. (Real Estate)	Director
Beverley Kathleen Lecky Vancouver, B.C.	President Hosmer Holdings Ltd. (Investments)	Director
John Wallace Madill Calgary, Alberta	Chief Executive Officer Alberta Wheat Pool	Director
Allan Stuart Olson Edmonton, Alberta	President Stuart Olson Construction Ltd. (Construction)	Director
Bryan Joseph Reynolds (2) Vancouver, B.C.	Partner Lawrence & Shaw (Barristers & Solicitors)	Director
Peter Paul Saunders (1) (2) Vancouver, B.C.	Chairman & President Versatile Corporation (Equipment, Manufacturing Shipyard & Energy)	Director
John Lewis Schlosser (1) Edmonton, Alberta	President Tri-Jay Investments Ltd. (Investments)	Director
James Bruce Smith (3) Kelowna, B.C.	President Okanagan Holdings Ltd. (Real Estate)	Director

(1) Member of the Executive Committee.
(2) Member of the Audit Committee.
(3) Not standing for re-election at the Annual General Meeting on January 31, 1985.

All the directors have been engaged for the past five years in their present principal occupations or in other capacities with the same corporations or firms except Mr. Edgar F. Kaiser, Jr. who prior to September, 1984 was President of Kaiser Resources Ltd. and prior to October, 1980 was Chairman and Chief Executive Officer of a separate company then called Kaiser Resources Ltd. (now Westar Mining Ltd.); Mr. Arthur J. Block who prior to September, 1984 was President of Block Bros. Industries Ltd.; Mr. Arthur Fouks who prior to February, 1984 was a partner in the law firm of Bonner and Fouks; and Mr. Bryan J. Reynolds who prior to November, 1983 was a private investor and prior to June, 1980 was President and Chief Executive Officer of Bethlehem Copper Corporation.

Certain Senior Officers

Name and Municipality of Residence	Office Held
Edgar Fosburgh Kaiser, Jr. .... Vancouver, B.C.	Chairman, President & Chief Executive Officer
Victor Dobb. .... Vancouver, B.C.	Executive Vice-President
Gordon Ronald Wallace .... West Vancouver, B.C.	Executive Vice-President
Henry John Bow .... North Vancouver, B.C.	Senior Vice-President International Banking
Helmut Curt Hartmann .... North Vancouver, B.C.	Senior Vice-President Corporate Banking
Arnold Ernest Miles-Pickup............... West Vancouver, B.C.	Senior Vice-President Finance and Administration
Einar Nathanael Myrholm................ Edmonton, Alberta	Senior Vice-President & Manager Edmonton Main Branch
John Alfred Thomas...................... North Vancouver, B.C.	Senior Vice-President & Controller
Peter Harry Stafford .... Vancouver, B.C.	Vice-President, General Counsel & Secretary
Michael Joseph Humjan .... North Vancouver, B.C.	Assistant Vice-President & Chief Accountant

All of the above named officers of the Bank have been actively engaged for more than five years in the affairs of the Bank in various capacities except with respect to Mr. Edgar F. Kaiser, Jr. as disclosed above and except Mr. Helmut C. Hartmann who prior to November, 1982 held various vice-presidential positions with a major Canadian chartered bank; Mr. John A. Thomas who prior to September, 1980, was an Assistant Comptroller with a major Canadian chartered bank; and Mr. Peter H. Stafford who prior to November, 1984 was a partner with the law firm of Russell & DuMoulin.

Indebtedness of Directors and Senior Officers

The Bank Act empowers the Bank to make loans fully secured throughout the terms thereof on the ordinary residences of the borrowers and to lend money to each officer or employee, the maximum principal amount permitted being less than the individual's annual salary or $25,000, whichever is greater, and such loans in either case are defined as routine indebtedness under the Bank Act regulations. All the indebtedness of the senior officers and the Directors of the Bank as at October 31, 1984 was routine indebtedness as so defined.

As at October 31, 1984, the senior officers mentioned under "Directors and Senior Officers — Certain Senior Officers", were indebted to the Bank in an aggregate amount of $782,099 representing different loans made to them by the Bank inclusive of loans fully secured on the ordinary residences of the borrowers and other loans, each of which is less than the borrower's annual salary.

The following table sets forth details of the indebtedness owing to the Bank by six of the senior officers mentioned under "Directors and Senior Officers — Certain Senior Officers", exclusive of loans fully secured on the ordinary residences of the borrowers and other loans in an amount of $25,000 or less:

Name and Address	Largest Aggregate Amount Outstanding during the year ended October 31, 1984	Amount Outstanding as at October 31, 1984
Victor Dobb Vancouver, B.C.	$65,251	$31,533
Gordon Ronald Wallace West Vancouver, B.C.	25,042	17,777
Henry John Bow North Vancouver, B.C.	34,166	28,731
Arnold Ernest Miles-Pickup West Vancouver, B.C.	72,919	30,219
Einar Nathanael Myrholm Edmonton, Alberta	46,346	40,262
John Alfred Thomas North Vancouver, B.C.	50,507	45,990

These loans, which were made for personal purposes, bear interest at varying rates depending on the nature of the loan. Loans made for the purchase of Common Shares of the Bank bear interest at a 3% rate. Personal consumer loans bear interest at a rate equal to at least one-half of the Bank's lowest consumer loan rate with one exception which bears interest at a rate of 6%. Loans made for personal investments, other than the purchase of Common Shares of the Bank, bear interest at a rate equal to the Bank's prime lending rate.

Remuneration of Directors and Officers

The table below sets out the aggregate remuneration paid by the Bank and its wholly-owned subsidiaries during its fiscal year ended October 31, 1984 to the directors and certain officers of the Bank.

	Nature of Remuneration		
	Aggregate Remuneration (1)	Cost of Pension Benefits	Other (2)
1. Directors (22)	$ 172,344	$ —	$ —
2. 5 Senior Officers	704,177	24,500	31,963
3. Officers receiving over $50,000 (92) (including the 5 senior officers mentioned above)	6,198,393	53,237	308,455
TOTAL (of items 1 and 3 above)	$6,370,737	$ 53,237	$308,455

(1) Includes remuneration to certain former directors and officers of the Bank.
(2) Includes taxable benefits.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On November 22, 1984 Edgar F. Kaiser Jr., Peter Paul Saunders, A. William Everett, Bryan J. Reynolds and Arthur Fouks, all Directors of the Bank, purchased, directly or indirectly, 1,000,000, 200,000, 40,000, 23,540 and 16,700 Common Shares respectively of the Bank. See "Private Offering of Common Shares".

The Bank has acquired a 40% interest in an aircraft owned by a company controlled by Edgar F. Kaiser, Jr., in order to permit its use by Bank personnel on Bank business. The cost to the Bank was $559,331 which represented 40% of that company's carrying value. The Bank will contribute to costs of operation of the aircraft on the basis of actual utilization by Bank personnel.

PRINCIPAL HOLDERS OF SECURITIES

As at November 30, 1984 there were no persons who, to the knowledge of the Bank, owned of record or beneficially, directly or indirectly, more than 10% of any class of securities of the Bank.

As at November 30, 1984, the directors and senior officers of the Bank, as a group owned of record or beneficially, directly or indirectly, less than 8% of the voting securities of the Bank.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Bank during the past two years are the following:

1. The Merger Agreement referred to under "Merger with BBC Realty Investors".
2. The Asset Sale Agreement referred to under "Asset Sale".
3. The Agency Agreement referred to under "Agency Agreement".

Copies of these contracts except the Asset Sale Agreement may be inspected at the head office of the Bank and at the office of Canada Trust at 110 Yonge Street in Toronto, Ontario during the period of distribution of the Common Shares offered hereby and for a period of thirty days thereafter.

LEGAL MATTERS

An action was commenced by a partnership, Petrochem Electric, in the Supreme Court of Alberta in April, 1978, claiming up to $4.5 million in damages. The claim is based on alleged mismanagement of the partnership by agents of the Bank. In the opinion of Messrs. Field & Field, Alberta counsel for the Bank, the claim is unfounded as to the facts and law and the claim is unlikely to succeed in whole or in part.

An action was commenced by Edith M. McCracken and Lawrence A. Elliott in the Supreme Court of British Columbia in July, 1984, claiming special damages of $8,785,410, interest thereon and other damages. The claim arises from the receivership of Farwest Cedar Fencing Ltd. and the plaintiffs allege unlawful acts on the part of the Bank, the receiver-manager, and the Federal Business Development Bank. Clark, Wilson, counsel for the Bank have advised that based upon the information presently available to them, the claim is unlikely to succeed, and that the damages claimed are excessive.

An action was commenced in The Court of Queen's Bench of Alberta in November, 1984 by William Steinberg, William Friedman and three companies associated with one or other of them. The defendants are the Bank and Ormskirk Investments Ltd. The plaintiffs seek judgment for $61 million, an order setting aside the Asset Sale Agreement between the Bank and Ormskirk Investments Ltd. referred to under "Current Position of the Bank — Asset Sale" and certain other relief. The action arises out of the sale by the Bank to Ormskirk of certain non-performing loans owed to the Bank by the plaintiffs allegedly in breach of certain agreements between the Bank and the plaintiffs to restructure the loans. Messrs. Fenerty, Robertson, Fraser and Hatch, Counsel to the Bank, have advised that, in their opinion, based on their review of certain of the Bank's documents relating to the Plaintiff's dealings with the Bank and interviews with key Bank personnel involved in such dealings (a) it is highly unlikely that the Plaintiff's claim for an order setting aside the Asset Sale Agreement would be successful and (b) the balance of the Plaintiff's claim is of doubtful validity.

The matters referred to under "Eligibility for Investment" will be passed upon for the Bank by Messrs. Russell & DuMoulin and for the Agents by Messrs. Lawson, Lundell, Lawson & McIntosh.

As at November 30, 1984, the partners of Russell & DuMoulin owned directly or indirectly 2,100 Common Shares of the Bank and the partners of Lawson, Lundell, Lawson & McIntosh owned directly or indirectly 2,878 Common Shares of the Bank. Peter Harry Stafford, Vice-President, General Counsel and Secretary of the Bank, is and will continue to be a partner of Russell & DuMoulin until January 31, 1985.

AUDITORS

The Bank Act requires shareholders of the Bank to appoint at each annual general meeting two firms of qualified accountants to act as auditors of the Bank until the next annual general meeting at which time shareholders may reappoint the same firms for one further term of office; however, if, and when, the same two firms have served for two consecutive terms of office then one of such firms cannot be reappointed for at least two years next following the term during which such firm was last appointed. At the annual general meeting on January 10, 1984 the shareholders appointed Deloitte Haskins & Sells, 2000-1055 Dunsmuir Street, Vancouver, British Columbia and Peat, Marwick, Mitchell & Co., 2400-1055 West Georgia Street, Vancouver, British Columbia as auditors of the Bank. Prior to January 10, 1984, one of the two auditors of the Bank was Thorne Riddell, 2400-1177 West Hastings Street, Vancouver, British Columbia. Two of these three firms were auditors of and reported to the shareholders of the Bank on the consolidated financial statements of the Bank for each of the years in the five year period ended October 31, 1984.

REGISTRAR AND TRANSFER AGENT

The registrar for the Common Shares, the Series A Preferred Shares and the Series B Preferred Shares is Canada Trust which is also transfer agent for the Common Shares at its principal offices in Vancouver, Calgary, Regina and Toronto and for the Series B Preferred Shares at its principal offices in Vancouver, Calgary and Toronto. The transfer agent for the Series A Preferred Shares is the Montreal Trust Company at its principal offices in Vancouver, Edmonton and Toronto.

AUDITORS' REPORT

To the Directors of Bank of British Columbia

We have examined the consolidated statement of assets and liabilities of Bank of British Columbia as at October 31, 1984 and October 31, 1983 and the consolidated statements of income, appropriations for contingencies, changes in shareholders' equity and changes in financial position for each of the years in the five year period ended October 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1984 and October 31, 1983 and the results of its operations and the changes in its financial position for each of the years in the five year period ended October 31, 1984 in accordance with prescribed accounting principles applied, after giving retroactive effect to the accounting and reporting changes required by the Bank Act of 1980, on a consistent basis.

We have also examined the pro forma consolidated statement of assets and liabilities of the Bank as at October 31, 1984 and the pro forma consolidated statements of changes in shareholders' equity and changes in financial position for the year then ended. In our opinion, these pro forma consolidated financial statements present fairly the financial position of the Bank as at October 31, 1984 and the changes in its financial position for the year then ended, after giving effect to the subsequent events with respect to the financial restructuring described in Note 1 to the consolidated financial statements.

(Signed) Peat, Marwick, Mitchell & Co.
Chartered Accountants
As to the years ended
October 31, 1980,
1981 and 1984

(Signed) Deloitte Haskins & Sells
Chartered Accountants
As to the years ended
October 31, 1982,
1983 and 1984

(Signed) Thorne Riddell
Chartered Accountants
As to the years ended
October 31, 1980, 1981,
1982 and 1983

Vancouver, Canada
December 11, 1984, except as to Notes 1(a), 19 and 20
which are as of January 4, 1985

Bank of British Columbia
Consolidated Statement of Assets and Liabilities
As At October 31

(in thousands of dollars)

	1984	Pro Forma 1984	1983
Assets			
Cash resources:			
Cash and deposits with Bank of Canada	$ 57,400	$ 56,788	$ 56,620
Deposits with other banks	146,080	146,094	176,113
Cheques and other items in transit, net	—	—	38,266
	203,480	202,882	270,999
Securities (Note 4):			
Issued or guaranteed by Canada	138,277	138,277	112,489
Issued or guaranteed by provinces and municipal or school corporations	1,677	1,677	993
Other securities	99,377	97,137	128,735
	239,331	237,091	242,217
Loans (Note 5):			
Day, call and short loans to investment dealers and brokers, secured	—	72,000	10,000
Loans to banks	64,641	64,641	51,106
Mortgage loans	271,977	334,499	225,017
Other loans (Note 6)	2,153,496	2,152,454	2,094,358
	2,490,114	2,623,594	2,380,481
Other:			
Customers' liability under acceptances (Note 7)	35,000	35,000	74,600
Land, buildings and equipment (Note 8)	31,862	31,862	32,007
Other assets (Note 9)	67,562	110,438	57,467
	134,424	177,300	164,074
	$3,067,349	$3,240,867	$3,057,771
Liabilities			
Deposits (Note 11):			
Payable on demand	$ 138,360	$ 137,811	$ 140,016
Payable after notice	785,837	785,837	944,794
Payable on a fixed date	1,968,192	2,052,728	1,713,838
	2,892,389	2,976,376	2,798,648
Other:			
Cheques and other items in transit, net	7,666	8,127	—
Acceptances (Note 7)	35,000	35,000	74,600
Other liabilities (Note 12)	44,183	46,623	29,654
	86,849	89,750	104,254
Subordinated debt:			
Bank debentures (Note 13)	13,348	13,348	19,367
Capital and reserves:			
Appropriations for contingencies	(43,787)	(43,787)	3,702
Shareholders' equity:			
Capital stock (Notes 1 and 14):			
$2.28 cumulative redeemable preferred shares, Series A	17,670	17,670	18,348
$2.22 cumulative redeemable preferred shares, Series B	20,000	20,000	20,000
Common shares	72,225	158,899	25,848
Contributed surplus (Note 14)	—	—	46,633
Retained earnings	8,655	8,611	20,971
	74,763	161,393	135,502
	$3,067,349	$3,240,867	$3,057,771

See notes to consolidated financial statements.

Approved by the Directors:

(Signed) Edgar F. Kaiser, Jr.
Chairman, President and
Chief Executive Officer

(Signed) R. E. Kadlec
Director

(Signed) T. A. Buell
Director

Bank of British Columbia

Consolidated Statement of Income

For The Years Ended October 31

(in thousands of dollars, except per share amounts)

	1984	1983	1982	1981	1980
Interest and dividend income:					
Loans	$301,209	$304,138	$416,988	$372,812	$240,012
Lease financing	5,624	6,802	3,963	1,769	208
Securities	18,800	25,399	34,446	30,356	20,891
Deposits with banks	11,859	15,327	32,355	31,635	19,863
Total interest and dividend income	337,492	351,666	487,752	436,572	280,974
Interest expense:					
Deposits	254,757	245,951	400,609	350,524	216,999
Bank debentures	1,482	1,885	1,887	1,888	1,894
Liabilities other than deposits	25	14	35	23	10
Total interest expense	256,264	247,850	402,531	352,435	218,903
Net interest income	81,228	103,816	85,221	84,137	62,071
Provision for loan losses	37,881	22,703	15,347	9,515	7,225
Net interest income after loan loss provision	43,347	81,113	69,874	74,622	54,846
Other income	17,770	15,813	16,626	17,123	13,251
Net interest and other income	61,117	96,926	86,500	91,745	68,097
Non-interest expenses:					
Salaries	47,591	50,515	47,696	39,285	32,260
Pension contributions and other staff benefits	2,726	3,648	3,688	3,179	2,607
Premises and equipment expenses, including depreciation	14,453	13,091	11,441	10,157	7,629
Other expenses	16,564	16,946	19,641	16,166	14,749
Total non-interest expenses	81,334	84,200	82,466	68,787	57,245
Net income (loss) before provision for income taxes	(20,217)	12,726	4,034	22,958	10,852
Provision (credit) for income taxes (Note 15)	(13,227)	600	(7,700)	5,632	1,524
Net income (loss)	$ (6,990)	$ 12,126	$ 11,734	$ 17,326	$ 9,328
Average number of common shares outstanding (Note 16)	5,169,526	4,358,567	3,983,692	3,471,072	3,063,326
Net income (loss) per common share (Note 16)	$(2.01)	$2.20	$2.51	$4.48	$2.65

See notes to consolidated financial statements.

Bank of British Columbia

Consolidated Statement of Appropriations for Contingencies

For The Years Ended October 31

(in thousands of dollars)

	1984	1983	1982	1981	1980
Balance at beginning of year:					
Tax-allowable	$(13,400)	$ 4,675	$17,330	$13,635	$12,236
Tax-paid	17,102	10,649	4,640	154	—
	3,702	15,324	21,970	13,789	12,236
Changes during year (Note 1):					
Provision for loan losses included in the Consolidated Statement of Income	37,881	22,703	15,347	9,515	7,225
Loss experience on loans	(85,370)	(51,325)	(27,993)	(9,038)	(6,692)
Transfer from retained earnings	—	17,000	6,000	7,704	1,020
	(47,489)	(11,622)	(6,646)	8,181	1,553
Balance at end of year:					
Tax-allowable	(60,466)	(13,400)	4,675	17,330	13,635
Tax-paid	16,679	17,102	10,649	4,640	154
	$(43,787)	$ 3,702	$15,324	$21,970	$13,789

See notes to consolidated financial statements.

Bank of British Columbia

Consolidated Statement of Changes in Shareholders' Equity

For The Years Ended October 31

(in thousands of dollars)

	1984	Pro Forma 1984	1983	1982	1981	1980
Capital stock (Notes 1 and 14):						
Balance at beginning of year:						
Preferred shares, Series A	$ 18,348	$ 18,348	$ 18,928	$19,183	$19,868	$ —
Preferred shares, Series B	20,000	20,000	—	—	—	—
Common shares	25,848	25,848	20,848	17,869	15,316	15,316
	64,196	64,196	39,776	37,052	35,184	15,316
Changes during year:						
Issued — preferred shares, Series A	—	—	—	—	—	20,000
— preferred shares, Series B	—	—	20,000	—	—	—
— common shares	—	86,674	5,000	2,979	2,553	—
Transfer from contributed surplus — common shares	46,377	46,377	—	—	—	—
Purchased for cancellation — preferred shares, Series A	(678)	(678)	(580)	(255)	(685)	(132)
	45,699	132,373	24,420	2,724	1,868	19,868
Balance at end of year:						
Preferred shares, Series A	17,670	17,670	18,348	18,928	19,183	19,868
Preferred shares, Series B	20,000	20,000	20,000	—	—	—
Common shares	72,225	158,899	25,848	20,848	17,869	15,316
	$109,895	$196,569	$ 64,196	$39,776	$37,052	$35,184
Contributed surplus (Note 14):						
Balance at beginning of year	$ 46,633	$ 46,633	$ 34,564	$25,235	$19,401	$19,401
Proceeds received in excess of the par value of common shares issued	—	—	12,000	9,232	5,744	—
Gain on preferred shares purchased for cancellation	—	—	69	97	90	—
Transfer to capital stock	(46,377)	(46,377)	—	—	—	—
Transfer to retained earnings	(256)	(256)	—	—	—	—
Balance at end of year	$ —	$ —	$ 46,633	$34,564	$25,235	$19,401
Retained earnings:						
Balance at beginning of year	$ 20,971	$ 20,971	$ 26,555	$25,599	$18,416	$12,701
Net income (loss)	(6,990)	(6,990)	12,126	11,734	17,326	9,328
Dividends — preferred shares, Series A	(2,052)	(2,052)	(1,702)	(1,744)	(1,784)	(995)
— preferred shares, Series B	(2,220)	(2,220)	(541)	—	—	—
— common shares	(1,861)	(1,861)	(3,182)	(2,895)	(2,240)	(1,715)
Unrealized exchange gain on investments in foreign subsidiaries, net of income taxes	285	285	—	—	—	—
Transfer from contributed surplus	256	256	—	—	—	—
Income taxes related to loss experience of subsidiaries	214	214	414	—	—	—
Gain on preferred shares purchased for cancellation	54	54	—	—	—	—
Expenses related to issues of preferred and common shares, net of income taxes	(2)	(46)	(698)	(139)	(132)	(342)
Transfer to appropriations for contingencies	—	—	(17,000)	(6,000)	(7,704)	(1,020)
Income taxes related to the above transfer	—	—	4,999	—	2,450	527
Income taxes related to gains and losses on disposal of securities	—	—	—	—	(733)	(68)
Balance at end of year	$ 8,655	$ 8,611	$ 20,971	$26,555	$25,599	$18,416

See notes to consolidated financial statements.

Bank of British Columbia

Consolidated Statement of Changes in Financial Position

For The Years Ended October 31

(in thousands of dollars)

	1984	Pro Forma 1984	1983	1982	1981	1980
Funds Derived From:						
Operations:						
Net income (loss)	$ (6,990)	$ (6,990)	$ 12,126	$ 11,734	$ 17,326	$ 9,328
Items included in net income (loss) not requiring the use of funds:						
Provision for loan losses	37,881	37,881	22,703	15,347	9,515	7,225
Depreciation	3,771	3,771	2,726	2,175	1,671	987
Amortization of other assets	400	400	481	234	231	85
Deferred income taxes	(16,073)	(16,073)	(444)	(8,472)	5,453	1,290
Total from operations	18,989	18,989	37,592	21,018	34,196	18,915
Other items:						
Decrease in:						
Cash and deposits with Bank of Canada	—	—	—	—	24,115	—
Deposits with other banks	30,033	30,019	58,584	—	—	—
Cheques and other items in transit, net	45,932	46,393	—	17,312	—	67,404
Securities	2,886	5,126	39,628	200	—	—
Loans, net	—	—	204,532	—	—	—
Lease financing	370	370	—	—	—	—
Other assets	5,578	—	—	—	—	—
Increase in:						
Deposits	93,741	177,728	—	301,093	592,192	286,530
Other liabilities	14,529	16,969	—	—	28,154	10,407
Capital stock issues	—	86,674	37,000	12,211	8,297	20,000
Tax credit related to appropriations	—	—	4,999	—	2,450	527
Tax credit related to loss experience of subsidiaries	214	214	414	—	—	—
Unrealized exchange gain on investments in foreign subsidiaries, net of income taxes	285	285	—	—	—	—
Total	$212,557	$382,767	$382,749	$351,834	$689,404	$403,783
Funds Applied To:						
Loss experience on loans	$ 85,370	$ 85,370	$ 51,325	$ 27,993	$ 9,038	$ 6,692
Other items:						
Increase in:						
Cash and deposits with Bank of Canada	780	168	14,386	4,552	—	33,896
Deposits with other banks	—	—	—	35,258	5,938	42,842
Cheques and other items in transit, net	—	—	41,575	—	5,027	—
Securities	—	—	—	—	48,887	29,931
Loans, net	110,003	243,483	—	221,702	577,654	274,522
Lease financing	—	—	72	26,901	11,687	5,438
Land, buildings and equipment	3,626	3,626	5,945	7,400	9,011	5,092
Other assets	—	37,298	4,953	3,968	16,660	2,098
Decrease in:						
Deposits	—	—	234,644	—	—	—
Other liabilities	—	—	23,204	19,100	—	—
Dividends	6,133	6,133	5,425	4,639	4,024	2,710
Retirement of Bank debentures	6,019	6,019	11	24	18	20
Redemption of preferred shares	624	624	511	158	595	132
Share issue expenses, net of income taxes	2	46	698	139	132	342
Income taxes related to gains and losses on disposal of securities	—	—	—	—	733	68
Total	$212,557	$382,767	$382,749	$351,834	$689,404	$403,783

See notes to consolidated financial statements.

Bank of British Columbia
Notes to Consolidated Financial Statements

1. Financial restructuring:

On October 29, 1984, the Board of Directors of the Bank approved a series of transactions which resulted in a financial restructuring of the Bank. One of these transactions, the Asset Sale, was completed on October 31, 1984 and, accordingly, the effect has been included in the Consolidated Financial Statements of the Bank as at October 31, 1984 and for the year then ended. The remaining transactions, more fully described below, were not completed until after October 31, 1984. However, since these transactions were an integral part of the restructuring and in order to provide a fair presentation of the complete restructuring package, pro forma consolidated financial statements have been presented which give effect to these transactions as if they had been completed on October 31, 1984.

Asset Sale:

On October 31, 1984, the Bank completed an arms-length agreement (the "Asset Sale") for the sale by the Bank of a portion of its loan portfolio and other assets to Ormskirk Investments Ltd. ("Ormskirk"). The assets sold were recorded in the accounts of the Bank as at October 30, 1984 at $107,979,000, net of specific provisions for losses, and generally consisted of non-performing and other problem loans secured by real estate. The sale price of these assets was $62,218,000. The loss on the sale of $45,761,000 was charged to appropriations for contingencies as part of loan loss experience for 1984. This incremental loan loss experience resulted in an increase of $9,400,000 in the Bank's provision for loan losses charged to income in 1984.

As part of this transaction, the Bank provided financing to Ormskirk in the amount of $52,500,000 on the security of a debenture charging the assets sold by the Bank to Ormskirk. The Bank has also advanced (U.S.) $10,000,000 to affiliates of Ormskirk on the security of a first mortgage on certain properties in Los Angeles, California and applied $9,700,000 of the proceeds of this loan to Ormskirk's requirements for financing the Asset Sale. In addition, the Bank may be required to lend Ormskirk an amount up to $5,000,000 on or before October 31, 1985 for interest accrued and unpaid on the Asset Sale financing. This amount would be secured by the debenture and a guarantee of Alsten Holdings Ltd., the parent company of Ormskirk. Furthermore, in the event that particular mortgages in the aggregate principal amount of approximately $20,600,000, on properties sold to Ormskirk, which rank prior to the Bank's debenture, are not renewed by existing lenders, the Bank may be required to lend Ormskirk an amount equal to the outstanding balance of such mortgages on the Bank's usual terms and conditions.

The Bank has, until at least June 1986, a right to acquire an equity interest of up to 35% in Ormskirk so as to allow the Bank to participate in any increase in the value of the assets being sold.

Subsequent Events Included in Pro Forma Consolidated Financial Statements As If They Had Been Completed On October 31, 1984:

(a) On November 21, 1984, by special resolution of the common shareholders, the authorized common share capital of the Bank was changed to consist of an unlimited number of common shares without nominal or par value, issuable for an aggregate consideration not exceeding $500,000,000. The Bank requested the approval of the Minister of Finance for the increase in the authorized common share capital from $250,000,000 to $500,000,000, which approval was received on December 20, 1984.

(b) On November 22, 1984, the Bank completed the issue by private placement (the "Private Offering") to individual and institutional investors of 12,000,000 common shares at a price of $6.00 per share for aggregate gross proceeds of $72,000,000. Expenses of issue were $44,000, net of income taxes of $44,000.

(c) On November 22, 1984 and pursuant to an agreement (the "Merger Agreement") with the Trustees on behalf of BBC Realty Investors (the "Trust") dated October 29, 1984 (as amended on November 22, 1984), the Bank subscribed for 2,445,713 Trust units for $15,286,000 and the Bank issued 2,445,713 common shares to the Trust for $14,674,000. Unitholders of the Trust other than the Bank had their Trust units reclassified as Class A Trust Units which were redeemed on the basis of one common share of the Bank plus $0.25 for each Trust unit. As a result of these steps, the Bank holds all of the outstanding units of the Trust and intends to proceed with a winding-up of the Trust and the distribution of its assets to the Bank.

The net assets of the Trust acquired by the Bank pursuant to the Merger Agreement were as follows:

Assets acquired, at fair value:	
Cash resources	$ 14,000
Loans	61,480,000
Other	42,832,000
	104,326,000
Liabilities assumed:	
Deposits	(83,987,000)
Other	(2,413,000)
Net assets acquired	$ 17,926,000
Consideration:	
Carrying value of investments previously held	$ 2,240,000
Cost of units acquired in connection with the Merger Agreement	15,286,000
Expenses	400,000
	$ 17,926,000

As a consequence of the strengthening of the Bank through the financial restructuring and following consultation with the Inspector General of Banks, commencing in 1985 the rules for the determination of the provision for future loan losses, to be charged to income and credited to appropriations for contingencies, will be applied using a ratio of loan losses to eligible loans similar to the ratio experienced by the Bank in the years prior to 1982. This will be accomplished by replacing the actual loan loss experience for the years 1982 through 1984 in the five year average provision formula with amounts representing normalized loan losses of 0.40% of eligible loans. The Bank also intends to restore its appropriations for contingencies in ensuing years. Furthermore, certain undertakings have been discussed with the Inspector General of Banks; these include a requirement not to pay cash dividends on the common shares, without prior consultation with and the consent of the Inspector General of Banks, until the deficit in appropriations for contingencies has been eliminated.

2. Prescribed accounting policies:

The Bank Act and the rules and regulations issued thereunder by the Minister of Finance prescribe the form and content of the Bank's financial statements, as well as most of the accounting policies. The prescribed accounting policies followed by the Bank in determining net income conform in all material respects with generally accepted accounting principles except for the accounting for losses on loans and the deferral of gains and losses on the disposal of fixed maturity debt securities held in the investment account, as required by the above mentioned rules and regulations.

As a result of the passing into law of the Bank Act of 1980, the Bank's annual financial statements for each of the years in the two year period ended October 31, 1981 (which previously had been prepared under the Bank Act of 1967) have been restated. The significant accounting and reporting changes introduced by the Bank Act of 1980 and their effect on previously reported balances are summarized in Note 3.

The significant prescribed accounting policies followed by the Bank are summarized below:

(a) Basis of consolidation:

The assets and liabilities and results of operations of the Bank and its subsidiaries are reported in the financial statements on a consolidated basis. The subsidiaries are as follows:

Canadian: Bank of British Columbia Mortgage Corporation
BBC Investments Ltd.
BBC Realty Ltd.
WestBank Leasing Limited

Foreign: Bank of British Columbia (International) Limited
British Columbia Financial Corp. (H.K.) Limited

Other corporations in which the Bank owns 20% to 50% of the voting shares are accounted for by the equity accounting method. The Bank's investments in these corporations are reported in Other Securities in the Consolidated Statement of Assets and Liabilities, and the share of their net income is reported in Income from Securities in the Consolidated Statement of Income.

(b) Securities:

Securities held for trading purposes are carried at market value. Realized gains and losses and unrealized valuation adjustments to market are recorded in current income.

Securities held for investment purposes are carried at cost, with the exception of those securities issued or guaranteed by the Government of Canada or the provinces which are carried at cost, adjusted for amortization of premiums and discounts. Any provision for permanent impairment in value of investment securities is recognized through a charge to current income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account, other than treasury bills, are deferred and amortized to income over five years on the straight-line basis. Gains and losses resulting from disposals of other securities, including treasury bills, held in the investment account are recorded in current income.

The income effects of the amortization of premiums and discounts, the gains and losses on the disposal of securities and the adjustments to the valuations of both investment and trading account securities are recorded in Income from Securities in the Consolidated Statement of Income.

(c) Loans:

Loans are recorded at the principal amount less unearned income, where applicable, and specific and general provisions for losses.

Interest income is recorded on the accrual basis until such time as a loan is classified as non-accrual. Loans are placed on a non-accrual basis whenever there is, in the opinion of management, doubt as to the collectibility of some portion of principal or interest or when interest on a loan is due and has not been collected for a period of 90 days, unless senior credit management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest. The amount of this overdue interest is charged against current year's income. Interest income on non-accrual loans is recorded on a cash basis.

(d) Direct finance leases:

Direct finance leases are included in Other Loans in the Consolidated Statement of Assets and Liabilities. The gross lease receivable and the unearned lease income are recorded at the time a lease transaction is executed. The unearned lease income is taken into income over the lease term in amounts directly related to the balance of the net investment in the lease.

(e) Loan losses:

A provision for loan losses is charged to income and credited to appropriations for contingencies annually. The amount of this provision is determined by calculating the ratio of the last five years of actual loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year (Note (1)). Actual loan loss experience for the year, which consists of net changes in provisions for losses less recoveries on loans previously written off, is charged directly to appropriations for contingencies.

(f) Appropriations for contingencies:

Appropriations for contingencies consist of two elements — tax-allowable and tax-paid. The tax-allowable portion consists of provisions for loan losses charged to income plus discretionary transfers from retained earnings less the unconsolidated Bank actual loan loss experience. Transfers to tax-allowable appropriations for contingencies including transfers from retained earnings, are made on a tax-deductible basis. The limit on the tax-allowable appropriations is known as Prescribed Aggregate Reserve, and is calculated by applying a percentage, determined by regulation, to eligible assets net of specific and general provisions relating to such assets (1½% of the first $2 billion and 1% of the excess thereof).

The tax-paid portion of appropriations for contingencies reflects the net of actual loan loss experience and provisions for loan losses as they relate to subsidiaries, and discretionary transfers to or from retained earnings on which taxes have been provided.

(g) Depreciation:

Depreciation is provided for on the straight-line basis over the estimated useful life of the asset. Gains and losses on disposal of fixed assets are reported in the Consolidated Statement of Income.

(h) Translation of foreign currencies:

Assets and liabilities in foreign currencies are translated into Canadian dollars at the prevailing year-end rates; revenues and expenses are translated at prevailing month-end rates. Realized and unrealized gains and losses from transactions in and translations of foreign currencies are reported in Other Income in the Consolidated Statement of Income, except for unrealized gains and losses on investments in foreign subsidiaries which are credited or charged to retained earnings net of income taxes.

3. Effect on financial statements of revisions to the Bank Act:

The Bank Act of 1980 and the rules and regulations issued thereunder by the Minister of Finance substantially revised many of the financial accounting and reporting practices applicable to the chartered banks of Canada, effective November 1, 1981. These revisions and their effect on the Bank's financial statements for each of the years in the two year period ended October 31, 1981 are summarized below:

(a) Basis for consolidation:

All corporations controlled by the Bank are now consolidated whereas previously the Bank's investments in such corporations were accounted for by the cost method. The Bank's share of the net income of other corporations in which 20% to 50% of the voting shares are owned by the Bank is included in the Bank's net income whereas previously only dividends received from such corporations were included in net income.

(b) Securities:

Securities held for trading purposes previously carried at the lower of cost or market value are now carried at market value. Securities issued or guaranteed by Canada or the provinces continue to be carried at cost, adjusted for the amortization of premiums and discounts. Other securities are now carried at cost rather than the lower of cost or market. Gains and losses on disposal of both trading and investment securities are, except for amounts deferred, reported in current income. Previously, gains and losses on investment securities were recorded in accumulated appropriations for losses.

(c) Appropriations:

The accumulated appropriations for losses have been eliminated and, depending on their nature, items previously included in this account are included in income, appropriations for contingencies, retained earnings, other assets or other liabilities.

(d) Capital and reserves:

The previous shareholders' equity section has been restructured with the rest account and undivided profits being replaced by contributed surplus and retained earnings. Proceeds received in excess of the par value of common shares issued are included in contributed surplus. Dividends declared are shown as a charge to retained earnings.

(e) Letters of credit and guarantees:

The contingent liability of the Bank in respect of letters of credit and guarantees is no longer shown in the Statement of Assets and Liabilities as a liability offset by an equal asset.

BBC Mortgage Ltd., a former controlled corporation of the Bank, and since put into liquidation after the purchase of its assets net of liabilities by Bank of British Columbia Mortgage Corporation, issued $20,000,000 of $2.28 cumulative redeemable preference shares in February 1980. Under the terms of the issue the Bank agreed, subject to appropriate revisions to the Bank Act, to effect an exchange of all outstanding preference shares of BBC Mortgage Ltd. for the same number of its own preferred shares. This exchange was effected in June 1981. To facilitate proper comparison, the preference shares of BBC Mortgage Ltd. have been accounted for as if they had been issued by the Bank and the dividends paid thereon accounted for as dividends of the Bank.

As a result of the aforementioned changes, previously reported balances have been restated in these financial statements as follows:

(i) In the Consolidated Statement of Income for the years ended October 31, the net income was increased by $2,646,000 in 1981 and $1,677,000 in 1980. Net income per common share, after giving retroactive effect to the two for one stock split discussed in Note 16, was increased by $0.44 in 1981 and $0.15 in 1980.

(ii) Total capital and reserves as at October 31 in the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Statement of Appropriations for Contingencies were increased by $7,218,000 in 1981 and $20,403,000 in 1980.

In the consolidated financial statements included in the Bank's 1982 annual report was an amount described as General Reserve. This amount has been included in Retained Earnings as at October 31 in these consolidated financial statements and amounted to $1,254,000 in 1982 and 1981 and $568,000 in 1980.

4. Securities:

(in thousands of dollars)

	Maturities						Total	
	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	No Specific Maturity	1984	1983
Investment Account Securities:								
Securities issued or guaranteed by:								
Canada	$118,854	$ 7,470	$ 1,243	$ 3,438	$ 7,090	$ —	$138,095	$100,459
Provinces	—	—	808	100	695	—	1,603	496
Other securities:								
Debt securities:								
Income debentures	1,147	1,596	279	—	—	—	3,022	3,317
Small business development bonds	—	27,591	—	—	—	—	27,591	34,893
Other Canadian issuers	—	3,000	—	—	—	—	3,000	18,000
Issuers other than Canadian	198	—	62	—	—	—	260	318
Equity securities:								
Term preferred shares	5,078	14,006	12,561	23,634	2,800	—	58,079	62,945
Other Canadian issuers	66	132	132	1,292	2,934	2,869	7,425	9,262
Total investment account securities	$125,343	$53,795	$15,085	$28,464	$13,519	$ 2,869	239,075	229,690
Trading Account Securities:								
Securities issued or guaranteed by:								
Canada							182	12,030
Provinces							74	497
Total trading account securities							256	12,527
Total securities							$239,331	$242,217

5. Loans:

(in thousands of dollars)

The Bank has two categories of non-performing loans: non-accrual loans (Note 2(c)) and renegotiated reduced rate loans which are loans where the terms have been modified to provide for a reduction in the interest rate due to the weakened financial condition of the borrower.

	1984			1983		
	Domestic	International	Total	Domestic	International	Total
Current loans:						
Day, call and short loans	$ —	$ —	$ —	$ 10,000	$ —	$ 10,000
Banks	—	63,096	63,096	—	47,800	47,800
Mortgages	270,653	—	270,653	224,239	—	224,239
Other loans	1,658,890	446,234	2,105,124	1,614,548	395,971	2,010,519
Provisions for losses	(2,636)	(5,600) (1)	(8,236)	(597)	—	(597)
Net current loans	1,926,907	503,730	2,430,637	1,848,190	443,771	2,291,961
Non-performing loans:						
Non-accrual loans	89,274	10,910	100,184	131,113	11,112	142,225
Renegotiated reduced rate loans	6,693	—	6,693	—	—	—
Provisions for losses	(42,046)	(5,354)	(47,400)	(49,805)	(3,900)	(53,705)
Net non-performing loans	53,921	5,556	59,477	81,308	7,212	88,520
Total loans	$1,980,828	$509,286	$2,490,114	$1,929,498	$450,983	$2,380,481

(1) The Bank maintains a general provision for losses against sovereign risk loans made to certain countries which have encountered difficulty in servicing their debt or have required debt restructuring during the past few years. In addition to certain specific provisions for losses on these loans, the Bank also has established a general provision of $5,600,000 representing approximately 5.5% of the total loans outstanding to these countries.

6. Other loans:

(in thousands of dollars)

	1984	1983
Loans to provinces	$ 33,517	$ 35,332
Direct finance leases	43,729	44,099
Personal loans	415,361	425,421
Loans in currencies other than Canadian	488,885	455,718
Demand and other loans in Canadian currency	1,172,004	1,133,788
	$2,153,496	$2,094,358

7. Acceptances, guarantees and letters of credit:

(in thousands of dollars)

The Bank issues acceptances and letters of credit, and guarantees the payment of certain liabilities of customers, and has recourse against customers with respect to any payments made on all of these commitments. Acceptances are reported as a liability and an offsetting asset in the Consolidated Statement of Assets and Liabilities. Guarantees and letters of credit are not reported in the Consolidated Statement of Assets and Liabilities but have been detailed below:

	1984	1983
Guarantees	$61,681	$56,562
Letters of credit	20,132	6,833
	$81,813	$63,395

8. Land, buildings and equipment:

(in thousands of dollars)

	Cost	Accumulated Depreciation	Net Book Value 1984	Net Book Value 1983
Land	$13,185	$ —	$13,185	$12,682
Buildings	3,023	330	2,693	2,752
Computer equipment	6,744	1,996	4,748	3,286
Furniture, fixtures and equipment	9,956	6,716	3,240	4,007
Leasehold improvements	14,794	6,798	7,996	9,280
	$47,702	$15,840	$31,862	$32,007

9. Other assets:

(in thousands of dollars)

	1984	1983
Accrued interest receivable	$28,151	$26,585
Deferred income taxes	29,690	13,498
Real property other than Bank premises	4,953	12,089
Sundry, including accounts receivable	4,768	5,295
	$67,562	$57,467

10. Geographical distribution of assets by location of ultimate risk:

(in thousands of dollars)

	1984		1983	
	Amount	Percent	Amount	Percent
Canada	$2,636,922	86.0%	$2,655,011	86.8%
United States	87,144	2.8	66,797	2.2
Asia/Pacific:				
South Korea	40,348	1.3	36,885	1.2
Japan	30,452	1.0	42,678	1.4
Other	41,919	1.4	49,749	1.6
	112,719	3.7	129,312	4.2
Latin America and Caribbean				
Brazil	35,568	1.2	32,473	1.1
Mexico	61,078	2.0	58,439	1.9
Other	12,643	0.4	12,024	0.4
	109,289	3.6	102,936	3.4
Europe.				
Italy	31,425	1.0	30,682	1.0
Spain	36,232	1.2	28,677	0.9
Other	53,473	1.7	44,153	1.5
	121,130	3.9	103,512	3.4
Middle East and Africa	145	—	203	—
Total assets	$3,067,349	100.0%	$3,057,771	100.0%

The countries noted separately above represent those countries to which more than 1% of the Bank's risk assets are attributable. Risk assets for this purpose are defined as deposits with other banks, securities, loans (excluding mortgages) and customers liability under acceptances. As at October 31, 1984 risk assets totalled $2,639 million (1983 — $2,648 million).

11. Deposits:

(in thousands of dollars)

	1984	1983
Deposits by Canada	$ 22,004	$ 40,039
Deposits by provinces	121,994	33,620
Deposits by banks	724,135	511,827
Deposits by individuals	1,234,177	1,367,616
Other deposits	790,079	845,546
	$2,892,389	$2,798,648

12. Other liabilities:

(in thousands of dollars)

	1984	1983
Accrued interest payable	$32,190	$21,084
Accounts payable and accrued expenses	11,993	8,570
	$44,183	$29,654

13. Bank debentures:

(in thousands of dollars)

	1984	1983
7½% sinking fund debentures, maturing November, 1991	$ 348	$ 367
9% debentures, matured 1984	—	6,000
9¾% debentures, maturing September, 1985	3,000	3,000
10¼% debentures, redeemable at the Bank's option on or after May 15, 1984 until maturity in May, 1989	10,000	10,000
	$13,348	$19,367

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors.

14. Capital stock:

Authorized:

Preferred shares — 3,000,000 shares without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000

Common shares — 10,000,000 shares without nominal or par value, issuable for an aggregate consideration not exceeding $250,000,000 (Note 1(a))

Outstanding:

(in thousands of dollars)

	1984		Pro Forma 1984		1983	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Preferred shares, Series A:						
At beginning of year	733,900	$ 18,348	733,900	$ 18,348	757,100	$18,928
Purchased for cancellation	(27,100)	(678)	(27,100)	(678)	(23,200)	(580)
At end of year	706,800	17,670	706,800	17,670	733,900	18,348
Preferred shares, Series B:						
At beginning of year	800,000	20,000	800,000	20,000	—	—
Issued for cash	—	—	—	—	800,000	20,000
At end of year	800,000	20,000	800,000	20,000	800,000	20,000
Common shares:						
At beginning of year	5,169,526	25,848	5,169,526	25,848	4,169,526	20,848
Issued for cash	—	—	14,445,713	86,674	1,000,000	5,000
Transfer from contributed surplus	—	46,377	—	46,377	—	—
At end of year	5,169,526	72,225	19,615,239	158,899	5,169,526	25,848
Total capital stock		$109,895		$196,569		$64,196

On January 10, 1984, the authorized common shares were redesignated as without nominal or par value. In accordance with Section 120(4) of the Bank Act that portion of the contributed surplus of the Bank which was attributable to the issues of common shares was transferred to capital stock. The balance of contributed surplus, which arose from gains on preferred shares purchased for cancellation, was transferred to retained earnings.

Share rights and privileges:

Preferred shares, Series A:

These shares are redeemable at the option of the Bank at any time on or after October 30, 1984 at $27.00 per share declining annually thereafter by $0.50 per share to $25.00 per share after October 30, 1988.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter 6,000 of the outstanding preferred shares, Series A at prices not exceeding $25.00 per share.

Preferred shares, Series B:

These shares are redeemable at the option of the Bank at any time on or after July 1, 1988 at $26.20 per share declining annually thereafter by $0.30 per share to $25.00 per share after July 1, 1992. These shares are retractable at the option of the holder on June 1, 1995 at $25.00 per share.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter at prices not exceeding $25.00 per share the following number of these shares:

(a) during the period commencing July 1, 1988 and ending June 30, 1995, 6,000 preferred shares, Series B; and

(b) commencing July 1, 1995 and thereafter, 0.75% of the number of preferred shares, Series B outstanding on June 30, 1995.

This obligation is cumulative only within each calendar year.

15. Income taxes:

(in thousands of dollars)

The provision (credit) for income taxes recorded in the Consolidated Statement of Income represents income taxes applicable to the income or loss reported therein.

Income taxes recorded in retained earnings represent the income tax effect related to the tax deductible transfers from retained earnings to appropriations for contingencies, to loan loss experience of subsidiaries, to share issue expenses and to unrealized exchange gains on investments in foreign subsidiaries which are charged or credited directly to retained earnings.

The deferred income tax credits represent income tax benefits related to deductions available to reduce taxes otherwise payable of future years.

Provision (credit) for income taxes

	1984	1983
Consolidated Statement of Income:		
Current	$ 2,846	$ 1,044
Deferred	(16,073)	(444)
	(13,227)	600
Retained Earnings:		
Current	(2)	(724)
Deferred	(119)	(5,413)
	(121)	(6,137)
	$(13,348)	$(5,537)

The Bank's provision (credit) for income taxes differs from the amount calculated by applying its combined federal and provincial statutory tax rate to net income before provision for income taxes mainly because of tax-exempt income from certain securities including term preferred shares, income debentures and small business development bonds.

	1984		1983	
	Amount	Percent	Amount	Percent
Net income (loss) before provision for income taxes	$(20,217)		$12,726	
Taxes thereon at combined federal and provincial statutory tax rate	$(10,210)	(50.5)%	$ 6,528	51.3%
Combined tax rate applied to:				
Income from foreign subsidiaries not subject to Canadian tax	(699)	(3.5)	(876)	(6.9)
Dividends from taxable Canadian corporations	(2,311)	(11.4)	(3,361)	(26.4)
Interest on income debentures and small business development bonds	(1,173)	(5.8)	(2,471)	(19.4)
Other — net	1,115	5.5	558	4.4
Non-Canadian taxes payable by foreign subsidiaries	51	0.3	222	1.7
Provision (credit) for income taxes at effective income tax rate	$(13,227)	(65.4)%	$ 600	4.7%

16. Net income (loss) per common share:

Net income (loss) per common share has been calculated using the daily weighted average number of common shares outstanding, after giving effect to the two for one stock split in March 1982 and the preferred share dividend obligations for each year.

17. Long-term commitments for leases:

Rental expenses for premises for the years ended October 31 were $6,684,000 in 1984, $6,056,000 in 1983, $5,187,000 in 1982, $4,403,000 in 1981 and $3,614,000 in 1980. Minimum future rental commitments for premises under long-term leases at October 31, 1984 were as shown below. The Bank has no lease commitments which extend beyond 2006.

(in thousands of dollars)

1985	$ 5,259
1986	5,065
1987	6,166
1988	5,823
1989	4,951
1990 and thereafter	50,410

18. Pension plan:

The Bank has an employee pension plan which is available to all employees at age 25, after three months service, on a contributory or non-contributory basis. The total cost in respect of current service charged to income for the years ended October 31 was $326,000 in 1984, $1,255,000 in 1983, $1,814,000 in 1982, $1,619,000 in 1981 and $1,308,000 in 1980.

An actuarial valuation of the pension fund is performed every three years in accordance with statutory requirements; however, the Bank's policy requires an interim actuarial review to be carried out every year. As at January 1, 1984, the date of the last actuarial valuation, the pension fund was fully funded.

19. Legal actions:

The Bank is subject to a number of legal actions arising in the normal course of its business. Based on opinions of outside counsel and information made available to General Counsel of the Bank, General Counsel is of the opinion that, with respect to the claims asserted in an action commenced in The Court of Queen's Bench of Alberta in November, 1984 by William Steinberg, William Friedman and three companies associated with one or other of them such claims are unlikely to succeed or are of doubtful validity, and with respect to all other lawsuits the likelihood of ultimate material liability to the Bank is remote.

20. Subsequent event:

Pursuant to a prospectus and an agency agreement both dated January 4, 1985 the Bank has agreed to issue to certain common shareholders and the public, a maximum of 19,000,000 common shares for estimated minimum net proceeds of $110,070,000 after deducting the maximum agents' fee and expenses of issue estimated to be $3,930,000.

CERTIFICATES

Date: January 4, 1985

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the Bank Act and the regulations made thereunder and as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder and by section 13 of the Securities Act (New Brunswick). This prospectus, as required by the Securities Act (Quebec) and the regulations thereunder, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) Edgar F. Kaiser, Jr.
Chairman, President and
Chief Executive Officer

(Signed) A.E. Miles-Pickup
Senior Vice-President
Finance and Administration

(Signed) Michael J. Humjan
Assistant Vice-President
and Chief Accountant

On behalf of the Board of Directors

(Signed) R.E. Kadlec
Director

(Signed) T.A. Buell
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus as required by the Bank Act and the regulations made thereunder and as required by Part 7 of the Securities Act (British Columbia), by Part 8 of the Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of the Securities Act (Ontario) and the respective regulations thereunder and by section 13 of the Securities Act (New Brunswick). To our knowledge, this prospectus, as required by the Securities Act (Quebec) and the regulations thereunder, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

DOMINION SECURITIES PITFIELD LIMITED

By: (Signed) Mark L. Cullen

PEMBERTON HOUSTON WILLOUGHBY INCORPORATED

By: (Signed) James Bruce

WOOD GUNDY INC.

By: (Signed) K.R. Bruce

ODLUM BROWN LIMITED

By: (Signed) E.A. Finnigan

MCLEOD YOUNG WEIR LIMITED

By: (Signed) Eric L. Schwitzer

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of:

DOMINION SECURITIES PITFIELD LIMITED: none;

PEMBERTON HOUSTON WILLOUGHBY INCORPORATED: W.R. Wyman, F.R. Wright, M.M. Ryan, D.N. Alexander, G.H. Walker, W.B. Ebbels, P.V. Chernov, R.E.T. Goepel and J.D. Wurz;

WOOD GUNDY INC: wholly-owned by The Wood Gundy Corporation;

ODLUM BROWN LIMITED: E.A. Finnigan, J.A. Hepburn, P.R. Perceval, R.G. Sutherland, R.G. Pollard, W.J.H. Edmonds, S.R. Sherwood, J.B. Harkness and A.G. Acheson; and

MCLEOD YOUNG WEIR LIMITED: A.G.E. Taylor, T.E. Kierans, F.B. Farrill, D.T.C. Moore, T.R.W. Crawford, C.D.G. Hackett, A.D. Massey, D.F. Sullivan, J.S.A. MacDonald, W.D. Wilson, W.J. Bennett, A.O. Miller, G.F. Cheesbrough, W.J. Corcoran and Shearson Lehman/American Express Inc.

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Bank of British Columbia

Canada's Western Bank

MANAGEMENT INFORMATION CIRCULAR

in respect of a

SPECIAL MEETING OF SHAREHOLDERS

to consider whether to approve the

CONSIDERATION OBTAINED

by

BANK OF BRITISH COLUMBIA

in connection with the

SALE OF CERTAIN OF ITS ASSETS

to

HONGKONG BANK OF CANADA

DECEMBER 12, 1986

Bank of British Columbia

Dale G. Parker
President & Chief Executive Officer

December 12, 1986

Dear Shareholder,

Accompanying this letter is a notice of a Special Meeting of preferred and common shareholders called for 11:00 a.m. on Friday, January 30, 1987 at the Westin Bayshore Hotel, 1601 West Georgia Street, Vancouver, B.C.

The purpose of the meeting is for shareholders to consider the unanimous recommendation of the Board of Directors that the consideration obtained by Bank of British Columbia for the sale of substantially all its assets to Hongkong Bank of Canada be approved.

The accompanying Management Information Circular sets out the background to and details of the sale.

Before concluding the sale the Directors canvassed every possibility. Safety of depositors' funds was a high priority, but securing the best possible return for shareholders and providing for the continuation of the business of the Bank and the retention of 1,500 loyal employees were also major objectives. In all, since late 1985, the Bank has had discussions with over 20 prospective purchasers or partners, several of whom approached the Bank.

The sale by the Bank to Hongkong Bank of Canada is part of a three way transaction, the third party being Canada Deposit Insurance Corporation (''CDIC''). We understand that CDIC has made a payment of $200 million to Hongkong Bank of Canada as an inducement to acquire the business of the Bank and that this sum is being retained as a contingency reserve for loan losses, transition costs and other liabilities that cannot be identified now but which may occur in the future.

The purchase price of approximately $2,636 million has been satisfied, in part, by the assumption of approximately $2,573 million of liabilities, including all depositors' claims. The balance of approximately $63 million has been paid in cash. This sum, subject to certain adjustments, together with the proceeds of certain other assets retained by the Bank, will be available to satisfy remaining creditors and provide a return to shareholders.

Under normal procedures prescribed by the Bank Act, a sale of the Bank's business would have required approval by shareholders at a meeting called on 28 days notice. Although the international reputation and financial strength of the Hongkong Bank of Canada's parent company would have provided the necessary assurance to depositors that their funds were safe once the transaction was completed, there would have been a risk that depositors' confidence would not be maintained during the period of uncertainty pending consideration of the transaction by shareholders. If confidence had not been maintained, Federal regulatory authorities could have viewed the Bank as no longer viable and caused a curator to be appointed. In such circumstances, not only would preferred and common shareholders have received nothing, but uninsured depositors might well not have been fully covered.

In order to ensure that a sale was concluded, the Bank asked the Federal Government to introduce legislation (the ''Special Act'') to enable it to proceed with the transaction quickly. With the support of all three political parties the Special Act was passed by Parliament in two days and the sale to Hongkong Bank of Canada took effect on November 27, 1986.

The meeting called for January 30, 1987 is contemplated by the Special Act, which provides that if shareholders do not approve the consideration obtained by the Bank on the sale an assessor appointed by the Federal Cabinet may increase or decrease the approximately $63 million payment, or leave it unchanged.

In the view of the Directors, if the shareholders do not give their approval, there is a risk that the payment may be reduced or eliminated entirely by the assessor. Since no other party was willing to proceed with a purchase of the Bank without a substantial grant from CDIC, it might well be argued, as it was in Parliament during the passing of the Special Act, that in such circumstances no payment whatever to shareholders was justified.

The alternative of continuing to operate as an independent bank was not feasible since the Directors did not believe that, in view of the financial results for the fourth quarter, the Bank could have maintained the confidence of depositors. We understand that Federal regulators and our auditors shared this view completely and the Directors believe the assessor would probably reach the same conclusion.

Significant losses from operations were incurred in the fourth quarter, primarily relating to several large credits. Under more normal circumstances the impact on depositor confidence might not have been as severe. But public confidence in financial institutions is fragile. During the past 18 months two banks collapsed and in their wake two other banks have disappeared through merger or amalgamation following, in each case, loss of depositor confidence.

Two other factors also had an impact in the fourth quarter. One was the revocation by the Superintendent of Insurance of his approval, granted several months earlier, for the Bank to withdraw cash from the over-funded surplus in the Bank's employee pension fund. Having received the Superintendent's approval, the Bank recognized $10.4 million of income (net of income taxes of $11.5 million) as an extraordinary item in the second quarter of 1986. The revocation by the Superintendent of his approval caused the Bank to reverse all the pension related income in the fourth quarter. The second factor concerned the recognition that approximately $35.9 million of tax credits would not likely be used in the foreseeable future and as a result the related asset was written off. These factors reduced net income in the fourth quarter by $46.3 million contributing to a loss for the year of $67.8 million.

As it is, the transaction that was concluded could provide approximately $63 million in cash to the Bank. Some assets remain and these will be realized and the remaining liabilities discharged as soon as practicable. All remaining funds will ultimately be distributed to shareholders. On the basis of assumptions presently considered reasonable by the Bank's management, it is expected that preferred shareholders will be paid in full together with all accumulated unpaid dividends. The distribution to common shareholders is estimated to be in the range of $0.55 to $1.20 per share. If the pension fund surplus is eventually recovered this estimate would increase by about $0.65 per share.

I hope you will be able to attend the meeting. However, if you are unable to attend it is still important that your shares be represented and voted at the meeting and I urge you to date, sign and return the enclosed Proxy as soon as possible.

Yours truly,

Dale G. Parker
President and Chief Executive Officer

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SUMMARY OF INFORMATION CIRCULAR

The information in this summary is qualified in its entirety by the more detailed information appearing elsewhere in this document and in the accompanying Management Proxy Circular.

Time, Date and Place of Meeting:	11:00 o'clock a.m., Friday, January 30, 1987 at The Ballroom, The Westin Bayshore, 1601 West Georgia Street, Vancouver, British Columbia.
Purpose of Meeting:	To approve the consideration obtained by Bank of British Columbia ("BBC" or the "Bank") pursuant to the sale agreement made November 27, 1986 (the "Sale Agreement") between BBC and Hongkong Bank of Canada.
Shareholders Entitled to Vote:	Holders of record of the Bank's Common Shares, Series A Preferred Shares and Series B Preferred Shares at the close of business on December 11, 1986 are entitled to receive notice of and to vote at the Special Meeting. A shareholder who has acquired shares after such date may vote such shares only upon establishing proper ownership not later than ten days before the date of the Special Meeting.
Votes Required:	Approval of the resolution set out in the Notice accompanying this Circular (the "Resolution") will require a simple majority of the votes cast by or on behalf of the holders of Common Shares, Series A Preferred Shares and Series B Preferred Shares, with shareholders entitled to one vote per share.
Sale of Assets to Hongkong Bank of Canada:	Canada Deposit Insurance Corporation ("CDIC") has announced that, in order to avoid the substantial losses it would have incurred if the Bank was forced into involuntary liquidation, it has provided financial support in the amount of $200 million to Hongkong Bank of Canada to enable Hongkong Bank of Canada to take over BBC's business as a going concern. Substantially all of BBC's business was purchased by Hongkong Bank of Canada on November 27, 1986. The Sale Agreement was prepared on the basis that the assets purchased by Hongkong Bank of Canada exceeded the liabilities assumed by it by $63,535,000 and that amount, representing the cash portion of the purchase price, was paid into a trust account. The purchase price will be adjusted downward if as at November 30, 1986 the assets purchased did not exceed the liabilities assumed by at least $62,535,000. It is expected that Hongkong Bank of Canada will indicate by mid-January 1987 whether it is claiming any adjustments. In addition, Hongkong Bank of Canada has until January 26, 1987 to assert any warranty claims under the Sale Agreement, which could also affect the consideration received by the Bank. The Bank will issue a news release before the Special Meeting if Hongkong Bank of Canada asserts a claim for a purchase price adjustment or breach of warranty which would materially affect the distributions to shareholders. The assets purchased by Hongkong Bank of Canada represented 98.6% of the total assets of BBC. The liabilities assumed by Hongkong Bank of Canada included $400 million owing to the Bank of Canada and all of the deposit liabilities, subordinated debentures and notes of or guaranteed by BBC. The cash portion of the purchase price, being the sum of $63,535,000 (the "Trust Amount"), is held in a trust account at a major Canadian chartered bank pending resolution of any purchase price adjustments and warranty claims referred to above, and either the approval of the Resolution by BBC's shareholders or completion of the assessment process described below, any of which could reduce the amount of the purchase price. The assessment process could also result in an increase in the purchase price.

Retained Assets and Retained Liabilities: Hongkong Bank of Canada did not buy certain of BBC's loans, its interests in the proposed head office premises, the shares of certain of its subsidiaries and its rights to the pension fund surplus and in certain litigation proceedings. Certain liabilities of BBC were not assumed by Hongkong Bank of Canada, including liabilities in respect of certain income and corporation taxes, the agreement to lease the Bank's proposed head office premises, outstanding litigation, certain letters of guarantee, certain employment arrangements and any liabilities not related to the business of banking. The Bank will sell or realize upon these assets and satisfy its liabilities in the course of winding up its business.

Post Closing Agreement: Virtually all of the employees of BBC have become employees of Hongkong Bank of Canada. However, the services of certain of such employees will continue to be available to BBC under an administrative services agreement between the two banks. They will assist the Board of Directors and officers of the Bank in managing the disposition of its remaining assets and liabilities.

Income Tax Consequences: The tax treatment of distributions to shareholders on the winding-up of the Bank will be different for various types of shareholders. A summary of the principal federal income tax consequences to shareholders of the Bank is contained herein under the heading ''Income Tax Consequences to Shareholders''.

Consequences of Non-Approval: The Bank of British Columbia Business Continuation Act (the ''Act'') requires the Bank to call a meeting of its shareholders to approve the consideration obtained in respect of the sale of its assets to Hongkong Bank of Canada. The Act provides that if the shareholders fail to approve the consideration, the federal Cabinet will appoint an assessor, who will determine the net realizable value, if any, of the assets less the liabilities of BBC as at November 26, 1986 (the ''net value'') and the net realizable value, if any, of the assets less the liabilities of BBC remaining after the sale (the ''net retained value''). In making such determinations the assessor is to take account of all relevant facts, including the likelihood, in the absence of the Sale Agreement: of the profitability and continuing viability of BBC as an independent bank; of the sale of the assets of BBC other than to Hongkong Bank of Canada; and of the appointment of a curator or the winding up of the business of BBC. If the net value is determined to exceed the sum of the Trust Amount and the net retained value, CDIC will pay the difference to the Bank and the Trust Amount will be released to BBC. If the net value is determined to be less than the sum of the Trust Amount and the net retained value, the difference will be paid out of the trust account to CDIC and the balance of the Trust Amount, if any, will be paid to BBC. In both cases, the payments to BBC from the trust account are subject to potential purchase price adjustments and warranty claims in favour of Hongkong Bank of Canada.

Recommendation of Board of Directors: The Directors of the Bank were, and continue to be, of the view that the sale to Hongkong Bank of Canada was, in the circumstances, the only alternative reasonably available to BBC. The consideration received from the sale is considerably greater than any amount which may have been realized from the sale of the Bank's assets in the course of an involuntary liquidation. While the Directors believe that the value of the equity of the Bank as a going concern exceeded the consideration received from the sale, this measure of value was not appropriate in the circumstances. In the view of the Directors, if the Resolution is not carried, there is a risk that the cash portion of the consideration received by BBC will be reduced or eliminated as a result of the statutory assessment process.

Accordingly, the Board of Directors unanimously recommends that shareholders of the Bank vote in favour of the Resolution to approve the consideration obtained by the Bank in connection with the sale of assets to Hongkong Bank of Canada. The foregoing recommendation is based upon the assumption that there will be no material purchase price

adjustments or warranty claims. If this is not the case, the Bank will issue a news release prior to the Special Meeting and the Directors may propose an adjournment of the Meeting in order to allow an opportunity to further consider these matters.

Distributions to Shareholders: The amount of distributions to shareholders and the timing of such distributions will depend upon a number of factors, including (i) whether the Resolution is approved by shareholders or whether an assessor is appointed under the Act, (ii) the ruling of an assessor, if applicable, (iii) the extent of any purchase price adjustments or warranty claims in favour of Hongkong Bank of Canada under the Sale Agreement, (iv) the entitlement of the Bank to the pension fund surplus, (v) the realization on the loans and real property retained by the Bank, (vi) the progress of litigation involving the Bank, and (vii) the settlement of other liabilities of the Bank. In any event, all distributions will be subject to prior approval of the Inspector General of Banks (the ''IGB'').

Based upon the information presently available and current market conditions, the Directors of BBC estimate that, if the Bank is not entitled to withdraw the pension plan surplus, distributions totalling between \$0.55 and \$1.20 per share will be made to the holders of Common Shares, and, if the Bank is entitled to withdraw the pension plan surplus, these distributions will be between \$1.20 and \$1.85 per share. It must be emphasized that these estimates are subject to certain qualifications which are discussed in more detail under ''Retained Assets and Retained Liabilities''. In light of the number of uncertainties existing at this time, the Directors are unable to predict when the initial distribution will be made to common shareholders, but a distribution will be made as soon as practicable. A final distribution will only be made once the Bank has made adequate provision for the payment or discharge of its obligations.

Before any distribution may be made to common shareholders, holders of the Series A Preferred Shares and Series B Preferred Shares are entitled to receive \$25 per share, together with all accumulated and unpaid dividends to the date of distribution. The Directors of the Bank have decided not to declare or pay the regular quarterly dividends on the Series A Preferred Shares and Series B Preferred Shares due on December 15, 1986 and December 1, 1986, respectively, and do not expect to declare or pay any further dividends.

Change of Name: Pursuant to the Sale Agreement, Hongkong Bank of Canada acquired the right to the name ''Bank of British Columbia'' and BBC agreed to change its name prior to June 1, 1987. The Act enables the Bank to change its name without the approval of its shareholders.

Financial Statements: The audit of the financial statements of the Bank for the year ended October 31, 1986 has not yet been completed due principally to the uncertainty concerning the financial condition of the Bank during the period in which the audit procedures would normally have been carried out. The Bank's auditors report that they have no reason to believe that these financial statements were not prepared in accordance with Section 215(3) of the Bank Act. However, they make no comments on the values attributed to assets and liabilities therein. Now that the sale pursuant to the Sale Agreement has been completed, the balance of the audit is currently being conducted. Adjustments to the financial statements arising from completion of the audit are possible, but are not expected to be significant.

Listings: Subject to the approval of the various stock exchanges, the Bank's Common Shares, Series A Preferred Shares and Series B Preferred Shares will continue to be listed on the stock exchanges on which they are currently listed.

BACKGROUND TO THE MEETING

As indicated in the President's letter, Bank of British Columbia (the "Bank" or "BBC") began reviewing prospective partners or successors as a precautionary measure in late 1985 as a result of the loss of confidence which followed the failure of two western Canadian banks. In the fall of 1986 this process accelerated when it became apparent that BBC's financial results for its fourth quarter ending October 31, 1986 would signal a worsening of the Bank's financial condition, which in turn would likely result in a further significant loss of depositor confidence. It became apparent that any prospective transaction required substantial financial support from Canada Deposit Insurance Corporation ("CDIC") and, therefore, the Bank worked closely with federal authorities during this period. Hongkong Bank of Canada was the only candidate canvassed by BBC with whom there appeared to be any prospect of a feasible transaction meeting the Bank's objectives: protection of uninsured depositors, optimal return to its shareholders, continued employment for BBC's employees and uninterrupted service to its clients. In order for a transaction with Hongkong Bank of Canada to be successful it was necessary for it to be completed expeditiously without the necessity of waiting a minimum of 28 days for shareholder approval as required under the Bank Act. Consequently, at the request of BBC, Parliament enacted the Bank of British Columbia Business Continuation Act on November 27, 1986 to enable the completion of the transaction without prior BBC shareholder approval and the sale to Hongkong Bank of Canada was completed later that same day. The Act provides that, after completion of the sale, BBC is to call a special meeting of shareholders for the purpose of determining whether the shareholders approve the consideration obtained by the Bank. Reference is made to "Statutory Procedure and the Bank of British Columbia Business Continuation Act".

Events Prior to the Fourth Quarter of 1986

The financial industry has undergone significant changes over the last four years. The economic slowdown which occurred in 1982 and the resulting fall in commodity and real estate prices had an adverse effect on the financial health of all Canadian banks. Western banks were more exposed to soft commodity and real estate prices due to their large portfolios of these types of loans. The collapse of two western Canadian banks in September 1985 and the merger of a third bank had a serious effect on the deposits of BBC. In addition, increased international competition and economies of scale achieved by the larger banks made it more difficult for smaller regional banks to compete.

Funding

The loss of depositor confidence referred to above resulted in a reduction in foreign deposits from $743.4 million as at July 31, 1985 to $119.1 million as at July 31, 1986 and a substantial reduction in Canadian wholesale deposits during the same period. The Bank was able to replace a portion of its deposits with funds from the Provinces of British Columbia and Alberta but also depended upon a credit facility with the Bank of Canada for liquidity funding. Bank of Canada advances reached a maximum of $975 million in April 1986 following a CBC newscast purporting to describe the financial condition of the Bank which led to substantial withdrawals by depositors. (Reference is made to "Retained Assets and Retained Liabilities" for details concerning the litigation arising from this newscast.) Following the reorganization and downsizing of the Bank discussed below, advances from the Bank of Canada were reduced to $400 million by November 26, 1986.

Search for Prospective Purchasers

Following the collapse of the two western Canadian banks in September 1985, the Board of Directors of BBC undertook a thorough review of the alternatives available to the Bank in order to prevent deterioration of shareholder value. It was considered that one strategy that should be pursued was the possibility of entering into a relationship with a major financial institution. Other possible alternatives, such as sales of specific assets, were also considered, but it was concluded that sales of profitable assets would have weakened BBC and would not have maximized shareholder value.

Reorganization and Downsizing

The Bank's strategy of seeking a potential purchaser or merger partner was not successful and the Bank decided in the second quarter of 1986 to consolidate its operations in order to focus its efforts and resources on the established and profitable parts of its business and prevent further deterioration of its financial condition. As a result, the offices in London and Los Angeles were closed and the operations in San Francisco and Hong Kong were reduced in size. As well, 19 branches in Manitoba, Saskatchewan and Alberta were closed. By mid-1986 these actions had resulted in a

decrease in the number of employees of the Bank by approximately 19% and a reduction in assets of approximately 10%. The Bank recognized that any further downsizing would seriously impair its ability to profitably carry on its operations.

Events which Occurred in the Fourth Quarter of 1986

During the fourth quarter ended October 31, 1986, it became apparent that the financial condition of BBC was worsening, due to the negative impact on current and future earnings of a significant increase in BBC's non-performing loans and specific provisions for loan losses. BBC had been giving special attention to the management of its loan portfolio; nonetheless, further loan deterioration occurred due to the protracted economic slump in Western Canada and further downturn in the Alberta economy.

Funding

In spite of the downsizing discussed above, as at November 26, 1986 funding from the Bank of Canada still totalled $400 million. In the view of the Directors of the Bank, notwithstanding the efforts by Management to improve BBC's financial condition (resulting in an increase in personal deposits in the fourth quarter), the reliance on the Bank of Canada would have had to continue for the foreseeable future. The Directors were concerned that the assessment of the Bank's condition in light of the fourth quarter results, the large debit balance in appropriations for contingencies and the resulting reduction in capital and reserves would cause a further erosion of the deposit base and thus require an increase in funding from the Bank of Canada. Since the Bank of Canada will only provide liquidity funding to a bank which it believes to be viable as an independent institution, the Directors were of the belief that in the circumstances, the future availability of this funding would be questionable.

Quality of Loans

In its fourth quarter, BBC's specific provisions for additional loan losses were approximately $33.0 million compared with a total of $37.9 million for the first three quarters. The specific provisions added in the fourth quarter principally related to a few substantial non-accrual loans which were viewed to have deteriorated during the quarter. Certain of these specific provisions dictated the reversal of interest previously recorded aggregating approximately $1.3 million. As at October 31, 1986 there were approximately $81.8 million of non-performing loans, net of specific provisions, as compared with $68.4 million at the end of the third quarter of 1986 and $57.5 million at October 31, 1985.

Extraordinary and Other Items

On May 26, 1986 the Superintendent of Insurance approved the withdrawal of cash from the surplus in the employee pension fund of BBC based on an independent actuarial report. As a result of this approval the Bank recognized $10.4 million of income (net of income taxes of $11.5 million) as an extraordinary item in the second quarter of 1986. Shortly after BBC obtained the approval of the Superintendent of Insurance, certain judicial developments in the area of pension plans intervened and the trustee of the pension plan asked for further assurances before agreeing to release any of the surplus. Subsequent to the end of the Bank's fiscal year, the Superintendent of Insurance, in view of the intervening jurisprudence, revoked his previous approval and advised BBC that it would be allowed to reapply to withdraw the surplus in accordance with new guidelines. This resulted in BBC reversing in the fourth quarter the amount previously recorded.

The Bank had been carrying as an asset on its balance sheet an amount of $35.9 million of deferred income tax debits available to be set off against future income taxes otherwise payable. In light of the Bank's fourth quarter losses and its projections for 1987 and beyond, it became apparent that it was unlikely that there would be sufficient taxable income available to utilize the tax deductions. It was therefore necessary to charge the $35.9 million against income for the year.

The Bank's portfolio of syndicated sovereign risk loans included in the IGB's "basket" list of countries, which is fully performing, had been carried on its books as $112.6 million, less a general provision for losses of $11.5 million, in accordance with guidelines issued by the IGB. However, there is a market for syndicated sovereign risk loans and in calculating the purchase price of the assets sold, Hongkong Bank of Canada required downward adjustments to the net book value of such loans of $31.3 million to reflect current market values. The net book value of certain other assets was reduced by $3.6 million.

Profitability

The interim consolidated statements for the nine months to July 31, 1986 showed net income of $5.7 million before extraordinary items for the pension surplus and discontinuance costs. The Bank recorded a loss of $10.1 million before extraordinary items in the fourth quarter. For the year ended October 31, 1986 the Bank had a net loss, after extraordinary items, of $67.8 million.

The Bank's projections for 1987 indicated that a loss for that year would also have occurred, in the absence of a sale or merger, given the effect of the prescribed accounting principles for loan loss experience, the high level of non-performing assets (approximately $103 million as at October 31, 1986), and the relatively high level of watch-list and special attention loans (approximately $470 million as at October 31, 1986) which, upon deterioration, could have given rise to reservations and classification to non-performing status.

Capital and Reserves

The Bank's capital and reserves amounted to approximately $224 million at October 31, 1985. By October 31, 1986 that amount was reduced through operations to approximately $170 million. As indicated above, the level of non-performing and watch-list loans had increased to such a degree that it was likely that the Bank would suffer substantial loan losses in 1987. Using the 1986 results as a base, and bearing in mind the likelihood of further losses from the loan portfolio, the Directors were of the view that the Bank's capital and reserves would decrease further in 1987. After the reversal of deferred income taxes and the pension surplus, the write down of certain sovereign risk loans and various other write-downs related to the sale of assets to Hongkong Bank of Canada, the capital and reserves were further reduced to approximately $78 million.

Auditors' Letter Pursuant to Section 242 of the Bank Act

Under the provisions of Section 242 of the Bank Act, it is the duty of the auditors of a bank to inform Management and the IGB of any transactions or conditions affecting the well being of a bank that are not satisfactory and require rectification. On November 4, 1986, the auditors of BBC, during the course of conducting year-end examinations, advised Management, pursuant to Section 242 that, for many of the reasons described above, they were of the view that the future viability of BBC was in question.

In view of the auditors' concern with the Bank's ability to continue as a going concern, the Directors were aware that the auditors would be unable to provide an unqualified audit opinion on the Bank's financial statements for the year ended October 31, 1986. If a qualified report had been issued, it would have exacerbated the problem of depositor confidence.

Reviews by the Inspector General of Banks

In late September 1985, a team of inspectors seconded by the IGB from other chartered banks conducted an in-depth review of the Bank's loan portfolio. Their report was made available to the Bank. The external auditors and the IGB did not disagree with the specific provisions for loan losses established by the Bank as at October 31, 1985.

A further review of the loan portfolio was conducted by representatives of the IGB in March 1986. No material variations in specific provisions for loan losses emerged from this review.

The Bank believes that the IGB shared its view that although the Bank was solvent and profitable it would be vulnerable to a significant and unanticipated increase in loan loss experience and that the likelihood of this occurring was increasing in view of the continuing weak economy in western Canada.

In August 1986 the IGB's team conducted a further review. A deterioration in the quality of several large credits was noted and it was concluded that substantially increased specific provisions would likely be necessary at the end of the fourth quarter. A more detailed review followed in September 1986. The IGB shared the view of Management of the Bank that, in light of the financial results for the year, the Bank's position was precarious. Accordingly, the Bank was given every encouragement to find a financial institution with substantial backing to acquire it without delay.

Involvement of Canada Deposit Insurance Corporation

It was also recognized that although the Bank was still solvent on a going concern basis, if a curator was appointed and a liquidation ensued, CDIC would be required to make an immediate payment of approximately $1.3 billion to insured depositors. While accurate estimates of realization values for the assets of the Bank in liquidation could not be made, it was probable that CDIC and uninsured depositors would fall well short of being fully covered. Consequently, the Bank was made aware that CDIC would consider providing significant financial support if a transaction could be structured that would avoid an involuntary liquidation and would ensure the viability of the emergent bank.

Renewed Search for Prospective Purchasers

In all, from the period of October 1985 until the sale to Hongkong Bank of Canada, the Bank had discussions in varying degrees of detail with over 20 prospective purchasers or merger partners. The search for prospective purchasers of BBC included contact with major Canadian banks, trust companies, international banking organizations and other financial institutions. This search intensified in the fourth quarter of 1986.

No prospective purchaser was found who was willing to purchase the business of BBC as a going concern without receiving financial support from either the federal or British Columbia governments, or both. Preliminary discussions with one potential purchaser were reported in the news media, requiring a premature announcement and a halt in trading of the Bank's shares. No definite proposal was ever received from this potential purchaser. Hongkong Bank of Canada was the only party identified which was willing and able to complete a transaction with the amount of support which CDIC was prepared to offer.

Selected Financial Information Relating to BBC

The following table sets forth selected consolidated financial information relating to the Bank as at October 31, 1985 (audited) and October 31, 1986 (unaudited).

Assets and Liabilities as at October 31

	(in thousands of dollars) 1986 (unaudited)	1985
Cash resources	$ 94,185	$ 115,188
Securities	195,588	220,094
Loans	2,303,662	2,764,792
Other Assets	80,505	150,413
Total Assets	$ 2,673,940	$ 3,250,487
Deposits	$ 2,042,351	$ 2,894,380
Other Liabilities	543,327	121,454
Subordinated Debt	10,319	10,335
Capital and Reserves	77,943	224,318
Total Liabilities and Capital	$ 2,673,940	$ 3,250,487

The audit of the financial statements of the Bank for the year ended October 31, 1986 has not yet been completed due principally to the uncertainty concerning the financial condition of the Bank during the period in which the audit procedures would normally have been carried out. The Bank's auditors report that they have no reason to believe that these financial statements were not prepared in accordance with Section 215(3) of the Bank Act. However, they make no comment on the values attributed to assets and liabilities therein. Now that the sale pursuant to the sale agreement with Hongkong Bank of Canada (the "Sale Agreement") has been completed, the balance of the audit is currently being conducted. While the unaudited financial statements included in Appendix "A" to this Management Information Circular take into account all the specific adjustments detailed in the Sale Agreement, further adjustments arising from completion of the audit are possible, but are not expected to be significant. Attention is drawn to the basis of preparation of these financial statements which is detailed in Note 1 to the financial statements (see "Notes to the Consolidated Financial Statements"). The differences between the draft financial statements appended to the Sale Agreement and those included in Appendix "A" to this Management Information Circular are

principally due to the negotiated adjustments detailed in the Sale Agreement, the revaluation of the retained assets and liabilities on the basis described in Note 1 and the normal development of more accurate financial information than was available when the negotiations were conducted.

Statutory Procedure and the Bank of British Columbia Business Continuation Act

Difficulties with Bank Act Requirements

The Bank Act provides that a bank may sell its assets to another bank in the course of its winding up and requires that a sale agreement be submitted to the shareholders of each of the banks for approval. A bank is required to give at least four weeks notice of the shareholders meeting at which the sale agreement is to be considered.

Once negotiations among the Bank, Hongkong Bank of Canada and CDIC were under way it became apparent that Hongkong Bank of Canada would not enter into an agreement unless the delays and uncertainties inherent in obtaining prior shareholder approval were eliminated. In light of the Bank's fourth quarter financial results, all parties involved agreed that depositor confidence would probably have eroded pending consideration of the sale by the shareholders.

If depositor confidence, particularly insofar as the Bank's core retail deposit base was concerned, was not maintained, the business of the Bank would not have been of interest to any purchaser, including Hongkong Bank of Canada. Furthermore, the IGB then might well have viewed the Bank as no longer being viable. This could have led to the appointment of a curator. In that event, shareholders would have received nothing, uninsured depositors might not have been fully covered and many of the Bank's 1,500 employees would have suffered loss of employment.

The Bank of British Columbia Business Continuation Act

In view of the circumstances described above and to enable a transaction with Hongkong Bank of Canada to be completed, BBC requested, and Parliament enacted, the Bank of British Columbia Business Continuation Act (the "Act") on November 27, 1986. The Act authorized BBC to transfer and sell its assets to another bank without obtaining shareholder approval. In all other material respects the provisions of the Act relating to the sale of assets of the Bank, except for the provisions relating to the trust account referred to below, follow those set out in the Bank Act. The sale to Hongkong Bank of Canada was completed on November 27, 1986.

Pursuant to the Act the cash portion of the consideration obtained by BBC for its assets ($63,535,000, which amount is referred to as the "Trust Amount") was paid by Hongkong Bank of Canada into a trust account on November 27, 1986 and is to be released to BBC, subject to the provisions of the Act and the Sale Agreement, as described under "Trust and Escrow Arrangements".

The Act requires BBC to call a meeting of its shareholders following completion of the sale of its assets, and states that notice of the meeting must be sent to shareholders at least two weeks prior to the date of the meeting. At the meeting, shareholders will be asked to approve the consideration obtained by BBC for the assets sold to Hongkong Bank of Canada. The Resolution will be carried if approved by a simple majority of the votes cast, with all classes of shares being entitled to vote on the basis of one vote for each share held.

If the Resolution is passed, the entire Trust Amount, together with interest, will be released to BBC.

If the Resolution is not passed, Cabinet will appoint an assessor who will determine two amounts, namely:

(a) the net realizable value, if any, of the assets less the obligations of BBC as at November 26, 1986 (the "net value"), and

(b) the net realizable value, if any, of the assets less the obligations retained by BBC under the Sale Agreement (the "net retained value").

If the net value is determined to be greater than the sum of the Trust Amount and the net retained value, then CDIC will pay the difference to BBC and the Trust Amount will be released to BBC. If the net value is determined to be less than the sum of the Trust Amount and the net retained value, the difference will be paid out of the trust account to CDIC and the balance of the Trust Amount, if any, will be paid to BBC.

Whether or not the Resolution is passed, all payments to BBC from the trust account are subject to escrow arrangements with Hongkong Bank of Canada as described under "Trust and Escrow Arrangements".

Criteria for Assessment

The Act directs the assessor, in making his determination, to take account of all such facts as the assessor deems relevant relating to the circumstances of the Bank including, without limitation, the likelihood, in the absence of the Sale Agreement:

(a) of the profitability and continuing viability of BBC as an independent bank;

(b) of the sale of the assets of BBC other than to Hongkong Bank of Canada; and

(c) of the appointment of a curator or the winding up of the business of BBC.

Reference is made to Appendix "B" to this Management Information Circular, which sets out the full text of the Act.

Discussion of Criteria

(a) Profitability and Viability

For the reasons described in this Management Information Circular, the Bank did not anticipate earning a profit in the foreseeable future. Reference is made to "Events which Occurred in the Fourth Quarter of 1986". As the announcement of the Bank's fourth quarter results would have caused a further erosion of its deposit base, the Bank would have required increased funding from the Bank of Canada. As indicated previously, since the Bank of Canada will only provide funding to a bank which it is advised can repay advances within a reasonable period, the continuing availability of this funding, and therefore the Bank's viability, was questionable.

(b) Potential Sale of Assets

No prospective purchaser was found who was willing to purchase the business of BBC as a going concern without receiving financial support from the federal or British Columbia governments, or both. Hongkong Bank of Canada was the only party identified which was willing and able to complete a transaction with the amount of support which CDIC was prepared to offer. Reference is made to "Renewed Search for Prospective Purchasers".

(c) Possibility of Curatorship

Since it was not reasonable to depend upon the Bank of Canada funding for an indefinite period, BBC expected that the IGB would probably have recommended that extraordinary measures be taken in the absence of the sale to Hongkong Bank of Canada. This could well have involved the appointment of a curator.

Based on the foregoing, the Directors of BBC believe that if the Resolution is not carried and an assessor is appointed, there is a risk that the cash portion of the Purchase Price received by BBC on the sale to Hongkong Bank of Canada will be reduced or eliminated.

SALE AGREEMENT

On November 27, 1986, following the coming into force of the Act, BBC and Hongkong Bank of Canada entered into the Sale Agreement providing for the sale of substantially all of the assets of BBC to Hongkong Bank of Canada and the assumption of substantially all of the liabilities of BBC by Hongkong Bank of Canada. By virtue of an order of Cabinet made on November 27, 1986 the above transaction became effective on that date.

A copy of the Sale Agreement is attached as Appendix "C" to this Management Information Circular.

On November 27, 1986 the sum of $63,535,000 was paid into a trust account by Hongkong Bank of Canada, to be held on terms described below under the heading "Trust and Escrow Arrangements".

Purchased Assets and Retained Assets

As indicated above, the Sale Agreement provides for the sale by BBC and the purchase by Hongkong Bank of Canada, as a going concern, of all of BBC's business, undertaking, property and assets, other than certain assets specified in the Sale Agreement to be retained by BBC. The business, undertaking, property and assets purchased by Hongkong Bank of Canada are called the "Purchased Assets" and the assets retained by BBC are called the "Retained Assets".

The Purchased Assets include BBC's network of 41 retail branches in British Columbia and Alberta and the assets related to branches located outside of Canada.

BBC's domestic and international loan portfolio (other than certain loans retained as part of the Retained Assets) comprise the major portion of the Purchased Assets. BBC's securities portfolio, including its liquid securities, is also included in the Purchased Assets. Reference is made to Appendix "A" to this Management Information Circular for a more detailed description of the loan and securities portfolios.

The Purchased Assets also include all of the issued and outstanding shares in the capital of BBC's operating subsidiaries, other than REIT Properties Ltd.

Hongkong Bank of Canada is entitled to use the name "Bank of British Columbia" in connection with the Purchased Assets. BBC is obliged to change its name before June 1, 1987. The Act enables the Bank to change its name without the approval of its shareholders.

The Retained Assets include certain outstanding loans, BBC's interests in its proposed head office (involving both an ownership interest in the land and its agreement to lease space in the building), BBC's subsidiary REIT Properties Ltd., the Bank's potential entitlement to a pension fund surplus and litigation in progress against Canadian Broadcasting Corporation.

Assumed Liabilities and Retained Liabilities

Hongkong Bank of Canada has assumed all obligations and liabilities of BBC as of November 27, 1986 other than certain liabilities specified in the Sale Agreement to be retained by BBC. The obligations and liabilities assumed by Hongkong Bank of Canada are called the "Assumed Liabilities" and the obligations and liabilities retained by BBC are called the "Retained Liabilities". The Act provides that Hongkong Bank of Canada is liable instead of BBC to discharge the Assumed Liabilities.

The Assumed Liabilities include all deposit liabilities of BBC, advances from the Bank of Canada, subordinated debentures and notes of or guaranteed by BBC, and all other liabilities except the Retained Liabilities.

The Retained Liabilities include:

(a) potential exposure of BBC under outstanding litigation;

(b) responsibility for expenses and an agreement to lease relating to the Bank's proposed head office;

(c) liabilities for income, corporation and other taxes, other than certain tax liabilities assumed by Hongkong Bank of Canada;

(d) any liabilities for unpaid dividends or other liabilities to shareholders;

(e) liabilities not related to the ordinary course of BBC's banking business;

(f) obligations under certain employment arrangements; and

(g) liabilities under certain letters of guarantee.

Reference is made to "Retained Assets and Retained Liabilities".

Purchase Price

The purchase price ("Purchase Price") for the Purchased Assets is the amount at which the Purchased Assets are shown on the Adjusted Draft Statement attached as Exhibit 7 to the Sale Agreement, namely $2,636,128,000, less any adjustment pursuant to Section 5.3 of the Sale Agreement, as described below.

Of the Purchase Price, the sum of $2,572,593,000 was satisfied by the assumption or payment by Hongkong Bank of Canada of the Assumed Liabilities as shown on such Adjusted Draft Statement. As indicated above, the balance of the Purchase Price, namely $63,535,000, was paid into a trust account in accordance with the Act, and is subject to the arrangements described below under the heading "Trust and Escrow Arrangements".

Purchase Price Adjustment under the Sale Agreement

Section 5.3 of the Sale Agreement provides for the possibility of a reduction in the Purchase Price paid by Hongkong Bank of Canada, depending upon the values of the Purchased Assets and Assumed Liabilities. Such values are to be established in a statement of assets and liabilities prepared as at the close of business on November 30, 1986 (the "Post-Closing Statement"). The form of the Post-Closing Statement is attached as Exhibit 1 to the Sale Agreement.

Provisions have been included in the Sale Agreement to minimize the audit procedures necessary to settle the Purchase Price and to reflect the values agreed upon by the parties for certain of the Purchased Assets. The most important of these agreed values relates to BBC's loan portfolio. None of the write-downs in BBC's assets reflected in the Sale Agreement may be disputed by either party. If the Post-Closing Statement discloses an overpayment by Hongkong Bank of Canada of $1,000,000 or less, there will be no reduction of the Purchase Price.

Hongkong Bank of Canada is required to prepare and deliver to BBC a draft Post-Closing Statement as soon as feasible. BBC expects to receive this draft statement by mid-January 1987. BBC and its auditors will have the opportunity to review the draft Post-Closing Statement. Any dispute concerning any material matter related to the draft Post-Closing Statement which is not resolved between the parties may be submitted to arbitration.

The draft Post-Closing Statement will be revised to reflect any changes agreed upon during the course of the review by BBC and its auditors, and the results of any arbitration, to produce a final Post-Closing Statement which will be accompanied by an auditors' report in the form of Exhibit 2 to the Sale Agreement. The cash portion of the Purchase Price, as adjusted, will be disbursed to BBC or Hongkong Bank of Canada in accordance with their respective entitlements after the Post-Closing Statement is delivered to BBC, subject to the arrangements described below under "Trust and Escrow Arrangements". Any reduction of the Purchase Price is limited to the cash portion thereof.

Breach of Warranty

If there is an alleged breach by BBC of any representation or warranty in Article 6 of the Sale Agreement or in any certificate or document delivered at the closing of the sale, Hongkong Bank of Canada must give notice thereof to BBC on or before January 26, 1987. BBC is not subject to any warranty claim unless the aggregate amount of BBC's liability exceeds $3 million. The Bank, CDIC and Hongkong Bank of Canada have made arrangements in the Sale Agreement and in certain other agreements which provide additional protection to creditors of BBC if its assets are not otherwise sufficient to satisfy all of its creditors. Reference is made to "Additional Assurances for the Protection of Creditors of BBC".

Employees and Pension Arrangements

BBC had approximately 1,500 employees as at November 27, 1986. Virtually all such employees have become employees of Hongkong Bank of Canada. Hongkong Bank of Canada has agreed to provide pension benefits to these employees which are substantially the same as the benefits under BBC's pension plan.

The existing account balances for BBC's pension plan will be transferred to Hongkong Bank of Canada following receipt of necessary government approvals. These account balances will be based on actuarial certificates which will take into account former BBC employees who are employed by Hongkong Bank of Canada and any such employees who retire, die or are terminated before the transfer.

TRUST AND ESCROW ARRANGEMENTS

BBC, Hongkong Bank of Canada and CDIC have entered into arrangements for the deposit and disposition of the Trust Amount.

The Trust Amount was deposited in a trust account at a major Canadian chartered bank (the "Deposit Bank") pursuant to Section 7 of the Act on November 27, 1986 and, to the extent practicable, is to be invested at interest. BBC is entitled to have the Trust Amount paid out of such trust account if the shareholders of BBC approve the Resolution. If the shareholders do not so approve, then the assessment process described above under the heading "Statutory Procedure and the Bank of British Columbia Business Continuation Act" is set in motion, which will result in BBC being entitled to all, a portion or no part of the Trust Amount. Upon BBC becoming entitled to payment

of all or part of the Trust Amount pursuant to the Act, such amount, together with interest earned thereon, net of bank charges, will be paid to the credit of an escrow account established pursuant to an escrow agreement among BBC, Hongkong Bank of Canada and the Deposit Bank, the form of which is attached as Exhibit 5 to the Sale Agreement (the "Escrow Agreement"). Both BBC and Hongkong Bank of Canada have irrevocably undertaken to enter into the Escrow Agreement with such changes as the Deposit Bank may require.

The Escrow Agreement provides for the investment of funds held pursuant thereto (the "Escrow Amount") at interest. BBC is not entitled to payment of any part of the Escrow Amount prior to January 26, 1987. Hongkong Bank of Canada may be entitled to payment of all or some of the Escrow Amount if its right to an adjustment of the cash portion of the Purchase Price pursuant to Section 5.3 of the Sale Agreement or its right to a warranty claim pursuant to the Sale Agreement is asserted prior to January 26, 1987. If prior to that date Hongkong Bank of Canada considers that it has either of such claims, it may cause the Escrow Amount, to the extent of the amount of such claims, to be held pending final determination, abandonment or mutual agreement with respect to such claims.

ADDITIONAL ASSURANCES FOR THE PROTECTION OF CREDITORS OF BBC

If the Resolution is not carried and an assessor is appointed under the Act, there is a risk that the assessor will reduce or eliminate the portion of the Trust Amount made available to BBC. This would not only directly reduce any potential distribution to shareholders but would also reduce the funds available to those who have claims or potential claims against the Bank. Arrangements were made with CDIC and Hongkong Bank of Canada in order to provide an additional measure of protection to these claimants.

Special Advance Agreement

If an assessor is appointed under the Act and the assessor's report results in less than $5 million of the Trust Amount being released to BBC, CDIC has agreed to lend to BBC an amount (the "Loan") which, together with the funds released to BBC from the trust account, would total $5 million. This agreement (the "Special Advance Agreement") ensures that the Bank will have a minimum of $5 million available to meet the claims of its creditors, in addition to the proceeds of realization of the Retained Assets. Under the Special Advance Agreement the Loan is repayable prior to any distribution being made to the shareholders of BBC, or, if no such distribution is made, the day upon which BBC dissolves. If the remaining assets of BBC, after the payment to all other creditors, are insufficient to repay the Loan, then CDIC will forgive the Loan to the extent of the shortfall.

Warranty Claims under the Sale Agreement

In the Sale Agreement, the portion of the Trust Amount released to BBC, less $5 million, is called the "Available Amount". Any warranty claims of Hongkong Bank of Canada will first be satisfied out of the Available Amount. Any warranty claims in excess of the Available Amount to a limit of the difference between $63.5 million and the Available Amount are not the responsibility of BBC but are the subject matter of an agreement between CDIC, Hongkong Bank of Canada and BBC. Any warranty claims in excess of that difference are payable by BBC out of its remaining assets.

Liquidity Loan and Security Agreement

Until the cash portion of the Purchase Price obtained by BBC is released from the trust account established pursuant to the Act and the escrow account established under the Escrow Agreement, BBC will require liquid funds in order to meet its short-term requirements. CDIC has agreed to establish a $5 million line of credit (the "Line of Credit") in favour of BBC pursuant to an agreement dated November 27, 1986 (the "Liquidity Loan and Security Agreement").

Advances to BBC under the Line of Credit will be repayable to CDIC on demand and will bear interest at the average rate of interest, from time to time, earned on the Trust Amount, which interest will be calculated from the date of the Special Meeting.

As security for advances under the Liquidity Loan and Security Agreement, the Bank has granted to CDIC a fixed and specific hypothecation, mortgage and pledge of all of its right, title and interest in the loans that are included in the Retained Assets, the proceeds thereof, and the security and records relating thereto.

Unless otherwise determined by CDIC, the Line of Credit will terminate and become repayable on the earlier of the day that the Bank receives any of the Trust Amount and the day on which the assessor appointed under the Act determines that the Bank is not entitled to receive any of the Trust Amount.

RETAINED ASSETS AND RETAINED LIABILITIES

The amount to be distributed to the shareholders of BBC will depend upon the amount of the cash portion of the Purchase Price ultimately released to BBC and upon the amount realized on the Retained Assets, after payment of the Retained Liabilities. The estimates and amounts set out below are based entirely upon the Bank's internal books and records, and have been calculated by Management. These amounts do not take into account expected future revenues and operating expenses during the process of realization.

Assets

Cash

If the shareholders approve the Resolution, $63.5 million, representing the cash portion of the Purchase Price, will be released from the trust account in which it is presently held. The amount that BBC will ultimately receive will depend upon the extent of any adjustments to the Purchase Price or warranty claims in favour of Hongkong Bank of Canada under the Sale Agreement. All funds received or held by the Bank, which are not required to meet expenses of liquidation, will, pending distribution to the shareholders, be invested in interest earning deposits or securities.

For purposes of this discussion, the Bank is assuming that it will ultimately receive $63.5 million on account of the cash portion of the Purchase Price. The Directors are unable to predict what amount, if any, the Bank would receive if the Resolution is not carried and an assessor is appointed, but if this occurs there is a risk that the amount may be significantly less than $63.5 million.

Management is not presently aware of any matter which would give rise to a warranty claim or an adjustment to the Purchase Price in an amount which would have a material effect on the estimated distribution to shareholders. If such a claim is asserted the Bank will issue a news release before the Special Meeting.

Loans

The Bank has retained 24 loans having an aggregate face value of approximately $22 million, in respect of which specific provisions of approximately $8.5 million have been established. All except one of these loans, for $3.4 million, are non-performing. The majority of the dollar value of these loans are related to the energy sector.

The net realizable value of the retained loan portfolio depends upon the manner and timing of disposition. These loans will be managed for BBC's account by Hongkong Bank of Canada until their ultimate disposition. The Bank estimates that, based on current market conditions, it will realize between $11.5 million and $13.5 million on these loans.

Real Estate

On July 29, 1980 the Bank acquired a 50.1% beneficial interest in a property located at the corner of Georgia and Hornby Streets in the centre of Vancouver's business district. On February 24, 1984 the Bank entered into a long term land lease with a subsidiary of Imperial Life Assurance Company, which subsequently constructed a major office tower on the property. Total annual base rent to be received by the Bank for the land is $961,920 for each of the first three years, the greater of base rent or approximately 11.5% of net income for each of the next five years, rising to the greater of base rent or approximately 12.5% of net income in each year thereafter.

By certain agreements to lease, the Bank has agreed to enter into a lease for five floors of office space and a ground level branch in the office tower described above for which the Bank received approximately $3 million as an inducement. The proposed leases are for a term of 20 years, commencing as at November 14, 1986, at an aggregate rental of $2.7 million per year for the first 5 years, $2.9 million per year for the next 5 years and 95% of the prevailing market rent for the following 10 years. If the Bank fails to honour certain of its obligations under the agreements to lease, it is required to repay the inducement of approximately $3 million.

The Bank's wholly-owned subsidiary, REIT Properties Ltd., owns three commercial, revenue producing properties in the Province of Alberta.

The ultimate net realization on the real estate described above will depend upon the manner and timing of disposition and will be subject to fluctuations in the real estate markets in the Provinces of British Columbia and Alberta. The Bank estimates that, based on current market conditions, the net realizable value of this real estate is between $4.5 million and $11 million.

Contingent Assets

(a) Pension Plan Surplus

Management of the Bank is of the view that the Bank's employee pension plan currently contains a surplus of $23.1 million. The Bank intends to reapply to the Superintendent of Insurance for permission to withdraw the surplus after giving due notice of the application to all members of the plan. Although the Bank has received actuarial certificates and legal opinions in support of its claim to the surplus, the present uncertainty in the law relating to pension plan surpluses makes it impossible to predict with any degree of certainty how the surplus will be distributed.

(b) CBC Litigation

On February 24, 1986 the Canadian Broadcasting Corporation (''CBC'') carried on the ''National'' newscast a report purporting to describe the Bank's financial condition. Part of the newscast contained an excerpt from a filmed interview with Roy Palmer, an analyst employed by Alfred Bunting & Co. The Globe & Mail of February 25, 1986 carried a report of the newscast. The Bank has alleged that the newscast and subsequent report were incorrect in several material respects, caused damage to the Bank and has commenced legal proceedings in the Supreme Court of British Columbia against CBC, Der Hoi Yin, Canadian Newspapers Company Limited, A. Roy Megarry, Geoffrey Stevens, Roy Palmer and Alfred Bunting & Co. The outcome of this litigation is not presently determinable.

Liabilities

The Bank is a defendant in a variety of legal actions arising in the course of its banking operations, many brought by counterclaim in collection proceedings commenced by the Bank. As at November 27, 1986 there were 73 actions pending against the Bank, of which 26 were commenced during the year ended October 31, 1986. During the same period, 43 actions against the Bank were settled or disposed of for a total of approximately $200,000 (exclusive of costs). During the year ended October 31, 1985 the comparable figures were 32 actions commenced against the Bank and 38 actions settled or disposed of for a total of approximately $150,000 (exclusive of costs). These costs of settlement exclude any amounts written off as part of the cost of settlement of collection proceedings.

The Internal Revenue Service (the ''IRS'') in the United States proposes to reassess the Bank for the years 1978 to 1980, inclusive. The IRS claims that the Bank owes approximately U.S. $1.7 million in taxes on which interest in respect thereof could amount to approximately U.S. $1.5 million. The Bank has filed an official protest against this proposed reassessment. If the protest is unsuccessful there is a possibility of further reassessments for the years 1981 to 1986.

While the Sale Agreement obliges Hongkong Bank of Canada to offer employment to the Bank's employees, it is not obliged to offer comparable positions. Certain officers and employees who were offered positions not comparable to those previously held have elected to treat their positions as terminated. In these situations, the Bank may have severance pay obligations which it cannot recover from Hongkong Bank of Canada. In addition, the Chairman's employment contract was not assumed by Hongkong Bank of Canada and continues to be an obligation of BBC.

The Bank has issued letters of guarantee, aggregating $10 million, on behalf of a customer. The Bank expects to be released from these contingent liabilities in the near future.

The Bank will also be liable for any claim against it of which it was not aware on November 27, 1986 and hence which was not reflected in the statement attached as Exhibit 7 to the Sale Agreement.

A significant component of the Retained Liabilities is litigation and potential litigation against the Bank. Particulars of material litigation are provided in Appendix ''D'' to this Management Information Circular. Although the amounts claimed or threatened are very substantial, which is the usual practice in these matters, the Bank is of the view that the liabilities discussed in this section, including the litigation and potential litigation, can probably be settled for between $10 million and $23.5 million.

Summary

The range of realizable values which Management has attributed to the Retained Assets (other than the pension fund surplus and the CBC litigation) and the Retained Liabilities is summarized below.

	Low Value	High Value
	(in thousands of dollars)	
Assets		
Cash	$ 63,500	$ 63,500
Loans	11,500	13,500
Real Estate (net)	4,500	11,000
Total Assets	$ 79,500	$ 88,000
Liabilities and Equity		
Liabilities	$ 23,500	$ 10,000
Shareholders' Equity		
Preferred Shares		
— Series A	16,470	16,470
— Series B	20,000	20,000
Accumulated Dividends on Preferred Shares (as at December 15, 1986)	800	800
Net Common Equity	18,730	40,730
Total Liabilities and Equity	$ 79,500	$ 88,000

The information summarized in the above table must be read in connection with the assumptions and qualifications discussed above. The amounts stated above do not take into account future revenues which will be earned or expenses which will be incurred during the process of realization. Even if only the low values are realized, it is anticipated that, other than in 1987, future revenue will exceed future expenses.

DISTRIBUTIONS TO SHAREHOLDERS

Assuming that the Resolution is approved and that there are no adjustments to the Purchase Price or any warranty claims in favour of Hongkong Bank of Canada under the Sale Agreement, and after allowing for financial advisory, legal, accounting and printing fees of the Bank related to this transaction, but excluding any possible proceeds from the pension fund surplus or the CBC litigation and the potential net revenue from the liquidation process, it is predicted that total distributions per common share will be in the range of $0.55 to $1.20. If the pension fund surplus is included this prediction is increased to the range of $1.20 to $1.85.

Distributions will only be made to shareholders once adequate provisions have been made to discharge the Bank's obligations. In light of the number of uncertainties existing at this time, the Directors are unable to predict when distributions may be made to common shareholders, but an initial distribution will be made as soon as practicable. A final distribution will only be made once the Bank has realized upon all of its assets and has made adequate provision for the payment or discharge of its obligations. Before any distributions may be made to common shareholders, the holders of the Bank's preferred shares are entitled to receive $25 per share, together with all accumulated and unpaid dividends to the date of distribution. In any event, all distributions will be subject to the prior approval of the IGB.

HOLDERS OF PREFERRED SHARES

There are two classes of preferred shares of the Bank presently outstanding: the $2.28 Cumulative Redeemable Preferred Shares, Series A (the "Series A Preferred Shares") and the $2.22 Cumulative Redeemable Preferred Shares, Series B (the "Series B Preferred Shares"), both without nominal or par value.

Each of the holders of these two classes of preferred shares is entitled to vote, along with the holders of the Common Shares of the Bank, on the Resolution. In order for the Resolution to be passed, it is necessary that a majority of all of the votes cast be in favour of the Resolution.

The holders of each of the two classes of preferred shares are entitled to receive a distribution in the winding up of the Bank in priority to the holders of the Common Shares. The amount of the distribution, in accordance with the terms of the share conditions governing the preferred shares, would be $25 for each preferred share, in each case together with all accrued and unpaid dividends to the date of distribution.

The Directors of the Bank have decided not to declare or pay the regular quarterly dividends on the Series A Preferred Shares and Series B Preferred Shares otherwise due on December 15, 1986 and December 1, 1986, respectively, and do not expect to declare or pay any further dividends. As indicated above, the amount of all accumulated, unpaid dividends will be included in the amounts to which the holders of preferred shares are entitled prior to any distribution to the holders of Common Shares. The Directors anticipate, based on the information available to them at present, that if the Resolution is approved there will be sufficient funds available to pay to the preferred shareholders, in a single distribution, the full amounts to which they are entitled, although the time of the payments is uncertain.

STOCK EXCHANGE LISTINGS

It is the Bank's intention that, subject to the approval of the various stock exchanges, its Common Shares, Series A Preferred Shares and Series B Preferred Shares will continue to be listed on those stock exchanges on which they are currently listed, in each case until all distributions on the particular class of shares have been made.

INCOME TAX CONSEQUENCES TO SHAREHOLDERS

The following summary of the principal Canadian federal income tax consequences of the transactions described in this Management Information Circular is based on the laws of Canada at December 10, 1986 taking into consideration Bill C-23 to amend the Income Tax Act (the ''ITA'') tabled in the House of Commons on November 10, 1986. The summary considers only shareholders who hold their shares as capital property. Those shareholders who hold their shares as income property, such as traders in securities, should consult their tax advisers for guidance.

The summary is not exhaustive and does not take into account provincial or foreign income tax legislation or considerations. In view of this and of the general nature of the summary, it should not be considered as legal or tax advice to any particular shareholder. Accordingly, shareholders are urged to consult their own tax advisers as to their particular circumstances.

Common Shareholders

The paid-up capital attributable to each of the Common Shares of the Bank is $7.21. As the aggregate amount to be distributed to the common shareholders is less than this amount, all distributions made to common shareholders of the BBC will be treated for income tax purposes as a return of paid-up capital.

When the Bank's shares are cancelled, each shareholder will be considered to have disposed of his shares. The shareholder will, in general, realize at that time a capital loss (or a capital gain) to the extent that the proceeds of disposition (being the final amount received) are exceeded by (or exceed) the adjusted cost base to him of his shares immediately before that time. The amount of any distributions derived from paid-up capital prior to the cancellation of the shares of the Bank will reduce the adjusted cost base to the holder of his shares.

The following example should not be construed as indicating the intention of the Board of Directors but is included for illustrative purposes only. The example assumes a shareholder having an adjusted cost base of a Common Share of $6.00, and a total distribution by the Bank of $1.00 per common share, composed of an initial distribution of $.10 and a final distribution of $.90.

Distribution	Amount of Distribution	Return of Capital	Proceeds of Disposition	Capital Gain or (Loss)
Initial.	$0.10	$0.10	—	—
Final	0.90	0.90	$0.90	$(5.00)
	$1.00	$1.00	$0.90	$(5.00)

The capital loss of $5.00 is computed by subtracting the adjusted cost base of $5.90 ($6.00 less the initial return of capital of $0.10) from the proceeds of disposition on cancellation of $0.90. Generally, such loss could reduce

capital gains subject to tax but would not be deductible against other income. The loss may be reduced for a corporate shareholder in certain circumstances where dividends have been received, as discussed below.

Corporations

A shareholder that is a corporation, or a partnership or trust of which a corporation is a partner or beneficiary, and that realizes a capital loss on the disposition of its shares will be required to reduce that loss for income tax purposes by the amount of dividends received on the shares unless the shareholder owned its shares 365 days or longer before the disposition and it, together with persons with whom it was not dealing at arm's length, did not, at the time the dividend was received, own in the aggregate more than 5% of the issued shares of any class of BBC.

Individuals

The ITA provides a cumulative exemption for taxable capital gains realized by an individual resident in Canada. The cumulative limit for 1987 is taxable capital gains of $50,000 increasing to a maximum of $250,000 for 1990.

Non-Residents

A shareholder who is not resident in Canada for income tax purposes will not be subject to tax under the ITA on any capital gain realized on the disposition of his shares unless the shares are taxable Canadian property (as defined in the ITA) of such a shareholder. Briefly, the shares will be taxable Canadian property if they are used or held or deemed to be used or held by the shareholder in carrying on a business in Canada. Even if the shares constitute taxable Canadian property, exemption from Canadian tax may be available under the terms of an applicable tax treaty.

Preferred Shareholders

BBC intends to make a single distribution to preferred shareholders of $25.00 per share plus an amount equal to all accumulated and unpaid dividends with respect to such shares to the date of the distribution. Distributions made to preferred shareholders of BBC will be treated for income tax purposes as taxable dividends to the extent they exceed paid-up capital. The paid-up capital attributable to each Series A and Series B Preferred Share is $25.00.

If the aggregate amount distributed exceeds the paid-up capital of each share, each shareholder will be considered to have received proceeds of disposition for capital gain or capital loss purposes equal to the paid-up capital thereof. Generally, tax considerations relating to the proceeds of disposition will be the same as described above for common shares.

ARRANGEMENTS FOR THE ONGOING OPERATION OF BBC

After completion of the sale of the Purchased Assets to Hongkong Bank of Canada which occurred on November 27, 1986, BBC has carried on and will continue to carry on operations only to the extent necessary to enable it to carry out the Sale Agreement, wind-up its remaining business and make distributions to shareholders. In the course of winding-up its business the Bank will sell or realize upon the Retained Assets and satisfy the Retained Liabilities. All necessary action will be carried out by the Bank's remaining officers with the assistance of certain officers and employees of Hongkong Bank of Canada pursuant to the post-closing agreement (the "Post-Closing Agreement") described below under the supervision of the Bank's Board of Directors. In addition, BBC will retain experts to assist it in realizing upon its Retained Assets and settling its Retained Liabilities.

Post-Closing Agreement

On November 27, 1986 BBC entered into a Post-Closing Agreement with Hongkong Bank of Canada, in the form set out as Exhibit 3 to the Sale Agreement, under which Hongkong Bank of Canada agreed to provide office space and clerical and administrative services to BBC, and to make certain of its officers and employees available to BBC, as consultants, to assist in the orderly disposition of the Retained Assets and in the administration of its affairs in accordance with the requirements of the Bank Act and the Act. BBC will reimburse Hongkong Bank of Canada for the cost of the administrative, secretarial and clerical services and office space and will pay to Hongkong Bank of Canada fees for the services of its officers and employees at hourly rates to be determined from time to time by agreement between BBC and Hongkong Bank of Canada. BBC will also pay all out-of-pocket expenses incurred on its behalf by such officers and employees, and will be responsible for the fees of any experts, such as legal counsel, retained on its behalf. The Post-Closing Agreement will continue until BBC is dissolved, unless terminated sooner by the Bank.

Directors and Officers

None of the ongoing Directors of BBC will be a director of Hongkong Bank of Canada or any of its affiliates.

Under the Bank Act the powers of the ongoing Bank are limited to actions incidental to the winding-up of the Bank. In light of the restricted scope of the Board's activities and in order to reduce ongoing administration costs, the Board considers that a smaller Board is in the best interests of the shareholders. Therefore, a number of the Directors have indicated that they will tender their resignations following the Special Meeting. The following Directors have agreed to continue in office until the next Annual General Meeting of Shareholders: Mr. R.J. Bennett, Mr. A.J. Block, Mrs. W.B. McDonald, Mr. A.S. Olson and Mr. D.G. Parker.

The officers of BBC immediately prior to November 27, 1986 who were offered and accepted employment with Hongkong Bank of Canada have resigned from BBC. The following persons are the officers of BBC as at the date hereof.

Dale George Parker	— President and Chief Executive Officer
William John Bryden	— Chief Accountant
Peter Harry Stafford	— Secretary

Mr. Dale G. Parker will carry out the functions of the Chief General Manager.

APPROVAL BY AND RECOMMENDATION OF THE BOARD OF DIRECTORS

At a meeting on November 25, 1986, the Board of Directors of BBC considered the transactions concerning the sale of assets to Hongkong Bank of Canada and approved the Sale Agreement and the voluntary liquidation and dissolution of the Bank.

The Directors of the Bank were, and continue to be, of the view that the sale to Hongkong Bank of Canada was, in the circumstances, the only possible alternative reasonably available to BBC. While the Directors believe that the value of the equity of the Bank as a going concern exceeded the consideration received from the sale, this measure of value was not appropriate in the circumstances. Based on the information then available to them, the Directors were of the view that unless a suitable transaction was effected, a curator might well have been appointed under the Bank Act. In an involuntary liquidation the shareholders would lose their entire investment and uninsured depositors, creditors and employees would suffer as well. The Directors believe that there was no other transaction as beneficial to the shareholders, employees and uninsured depositors as the sale to Hongkong Bank of Canada, and that the consideration obtained by BBC for the sale of its assets was, in the circumstances, fair and reasonable.

At a meeting on December 10, 1986, the Board of Directors of BBC approved the contents of this Management Information Circular and authorized its mailing to the shareholders of the Bank as required by the Act. The Board of Directors unanimously recommends that shareholders of the Bank vote in favour of the Resolution to approve the consideration obtained by the Bank under the Sale Agreement. In the view of the Directors, if the Resolution is not carried and an assessor is appointed, there is a risk that the consideration could be reduced or eliminated.

The foregoing recommendation is based on the assumption that there will be no claims by Hongkong Bank of Canada for any adjustment to the Purchase Price or for breach of any warranty in an amount that would have a material effect on the estimated distributions to shareholders. The Directors are not presently aware of any matter which would give rise to such claims. If any such claim is asserted, the Bank will issue a news release before the Special Meeting and, depending upon the significance and nature of such claims, may propose that the Special Meeting be adjourned to allow for an opportunity to consider these claims.

INFORMATION CONCERNING BBC

Appendix "A" to this Management Information Circular contains detailed information, including financial information, about the business and assets of the Bank as at October 31, 1986, prior to the sale of substantially all of its assets to Hongkong Bank of Canada.

Board of Directors

The Bank Act requires that at least three-quarters of the Directors of the Bank be Canadian citizens ordinarily resident in Canada and contains other limitations on eligibility for appointment as director of a chartered bank.

Directors are elected during the annual meeting of shareholders and hold office until the next annual meeting of shareholders or until they resign or their successors are elected or appointed.

The following table sets out the principal occupations and business of the Directors, the approximate number of shares of the Bank beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as at December 10, 1986 and the date from which each director was associated with the Bank in the capacity of director:

Name and Municipality of Residence	Principal Occupation	Director Since	Common Shares Owned (3)
Russell James Bennett Westbank, B.C.	President, McIntosh Centre Ltd. Real Estate, Ranching and Farming	May 8, 1967	93,741
Arthur John Block Vancouver, B.C.	President, A.R. Holdings Ltd. Investment Company	May 6, 1980	1,166
Harry Booth Calgary, Alta.(2)	Director, Alberta & Southern Gas Co. Ltd., Alberta Natural Gas Company Ltd., Natural Gas Distribution	July 27, 1976	4,970
Thomas Allan Buell Vancouver, B.C.(1)	Chairman, President & Chief Executive Officer, Weldwood of Canada Ltd., Forest Products	May 25, 1976	9,772
Robert Edward Kadlec Vancouver, B.C.(2)	President & Chief Executive Officer Inland Natural Gas Co. Ltd., Energy Company	July 19, 1983	8,200
Edgar Fosburgh Kaiser, Jr. Vancouver, B.C.(1)	Chairman of the Board of Bank of British Columbia	September 25, 1984	1,365,977
John Custance Kerr Vancouver, B.C.(1)	President, Lignum Limited, Lumber Manufacturers	May 10, 1983	25,500
Beverley Kathleen Lecky Vancouver, B.C.	President, Hosmer Holdings Ltd. Investment Company	August 14, 1979	700
Wendy Burdon McDonald North Vancouver, B.C.	President & Chairman of the Board B.C. Bearing Engineers Ltd., Bearing and Power Transmission Company	May 28, 1985	1,000
John Wallace Madill Calgary, Alta.	Chief Executive Officer, Alberta Wheat Pool	August 9, 1977	3,894
Allan Stuart Olson Edmonton, Alta.(1)	President, Stuart Olson Construction Ltd., Construction	December 11, 1984	20,500
Dale George Parker Vancouver, B.C.(1)	President and Chief Executive Officer of Bank of British Columbia	May 28, 1985	500
Bryan Joseph Reynolds Vancouver, B.C.(2)	Associate Counsel, Lawrence & Shaw, Barristers & Solicitors	December 12, 1977	25,000
John Lewis Schlosser Edmonton, Alta.(1)	President, Tri-Jay Investments Ltd. Investment Company	March 9, 1976	10,864

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) This column shows the number of common shares beneficially owned, directly or indirectly, or controlled by each of the directors as reported to the Bank. The directors do not own or control any preferred shares.

The Directors and BBC's senior officers, as a group, beneficially owned, directly or indirectly, 4.6% of the Bank's total outstanding common shares as at December 10, 1986.

All of the above Directors have been engaged for the past five years in their present principal occupations or in other capacities with the same corporations or firms except Mr. Edgar F. Kaiser, Jr. who prior to September 1984 was a private investor; Mr. Dale G. Parker who prior to May 1985 held various executive positions with a major Canadian chartered bank; Mr. Arthur J. Block who prior to September 1984 was President of Block Bros. Industries Ltd.; and Mr. Bryan J. Reynolds who prior to November 1983 was a private investor.

APPENDIX "A"

INFORMATION CONCERNING BANK OF BRITISH COLUMBIA

Bank of British Columbia is a Schedule A Bank chartered under the Bank Act (Canada). The Bank's head and principal office is located at the 18th Floor, Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia. Unless otherwise specified, this Appendix contains information relating to Bank of British Columbia as at October 31, 1986, prior to the sale of substantially all of the Bank's assets to Hongkong Bank of Canada, and a reference to either "BBC" or the "Bank" refers to Bank of British Columbia and its subsidiaries.

The audit of the financial statements of the Bank for the year ended October 31, 1986 has not yet been completed due principally to the uncertainty concerning the financial condition of the Bank during the period in which the audit procedures would normally have been carried out. Now that the sale pursuant to the Sale Agreement has been completed, the balance of the audit is currently being conducted. Adjustments arising from completion of the audit are possible, but are not expected to be significant.

ASSETS OF THE BANK

Loans

The Bank's principal lending activities included the extension of credit to the corporate sector and the granting of personal loans and residential mortgages. As at October 31, 1986 approximately 70% of the dollar amount of the Bank's loan portfolio carried interest at variable rates. The balance of the portfolio carried fixed interest rates.

The following table shows the distribution of the Bank's loan portfolio net of the provisions for losses as at the dates shown:

	(in thousands of dollars) as at September 30 (1) (unaudited)				
	1986	**1985**	**1984**	**1983**	**1982**
Canadian Currency					
Mortgages:					
Residential	$ 358,694	$ 311,117	$ 271,977	$ 225,017	$ 179,402
Non-Residential	78,926	68,926	—	—	—
Leases	63,835	48,213	43,729	44,099	44,028
Personal Loans	400,269	515,859	577,056	599,034	667,332
Financial Institutions	137,904	168,412	106,456	131,531	112,193
Industrial/Merchandising	588,820	590,341	455,552	339,278	400,289
Real Estate/Construction	181,547	227,074	294,098	311,593	374,485
Other	207,488	210,662	194,771	180,510	171,072
Total Canadian	2,017,483	2,140,604	1,943,639	1,831,062	1,948,801
Foreign Currency(2)	392,211	620,090	586,453	534,296	536,746
Total loans	$2,409,694	$2,760,694	$2,530,092	$2,365,358	$2,485,547

(1) Reported as at September 30 rather than October 31 for regulatory reporting purposes.

(2) As at October 31, 1986 approximately 98% of foreign currency loans were in U.S. dollars. The majority of such loans were to governments and government agencies and to the real estate and energy sectors.

Non-Performing Loans

The following table sets forth the Bank's non-performing loans, determined by management in accordance with regulatory guidelines established by the Inspector General of Banks, at the dates shown.

	(in thousands of dollars) As at October 31					
	1986 (unaudited)			1985		
	Domestic	International	Total	Domestic	International	Total
Non-accrual loans	$137,119	$ 6,362	$143,481	$ 90,332	$ 6,235	$ 96,567
Renegotiated reduced rate loans	—	—	—	1,000	—	1,000
Specific provisions for losses	(60,482)	(1,213)	(61,695)	(36,967)	(3,087)	(40,054)
Net non-performing loans	$ 76,637	$ 5,149	$ 81,786	$ 54,365	$ 3,148	$ 57,513

Loan Loss Experience

As at October 31, 1986 the Bank had specific and general provisions for losses of approximately $109 million. The annual amount recorded as loan loss experience in the Consolidated Statement of Appropriations for Contingencies represents the net change in provisions for losses less recoveries on loans previously written off.

The provision for loan losses, an amount determined by a formula established by the Minister of Finance, is charged to income and credited to appropriations for contingencies. The annual provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the year.

Commencing in 1985, the IGB approved a modification of the rules for the determination of the provision for loan losses as it applied to BBC. This modification replaced the actual loan loss experience for the years 1982, 1983 and 1984 in the above mentioned formula with amounts representing 0.40% of eligible loans, a ratio similar to the ratio experienced by the Bank in the years prior to 1982.

The following table shows the loan loss experience and the amounts of the provisions for loan losses recorded for the years indicated:

	(in thousands of dollars) Years ended October 31				
	1986 (unaudited)	1985	1984	1983	1982
Provision for loan losses included in the Consolidated Statement of Income	$ 30,174	$ 16,109	$ 37,881	$ 22,703	$ 15,347
Less loan loss experience	105,699	36,106	85,370	51,325	27,993
Net charge to appropriations for contingencies	$(75,525)	$(19,997)	$(47,489)	$(28,622)	$(12,646)
Eligible loans[1]	2,419,973	2,900,302	2,634,330	2,372,789	2,535,969
As an annual percentage of eligible loans:					
Provision for loan losses	1.25%	0.56%	1.44%	0.96%	0.61%
Loan loss experience	4.37%	1.24%	3.24%	2.16%	1.10%

(1) Eligible loans include loans, acceptances, letters of credit and guarantees but exclude loans to or guaranteed by the government of Canada or a province (and prior to October 1983, the governments of the United States of America and the United Kingdom).

The following table shows the domestic and foreign loan loss experience recorded for the 5 previous years.

	(in thousands of dollars) Years ended October 31				
	1986	1985	1984	1983	1982
	(unaudited)				
Domestic loan loss experience	$ 58,944	$34,009	$78,316	$51,375	$25,293
Foreign loan loss experience	46,755(1)	2,097	7,054	(50)	2,700
Loan loss experience	$105,699	$36,106	$85,370	$51,325	$27,993

(1) As a result of the sale to Hongkong Bank of Canada the Bank wrote down its portfolio of sovereign risk loans by a further $31,300.

Securities

Securities were held by the Bank for various reasons. Government of Canada treasury bills are eligible securities for satisfaction of the secondary reserve requirement. Federal treasury bills in excess of reserve requirements, provincial treasury bills, chartered bank bearer discount notes, bankers' acceptances and commercial paper were some of the other most common securities that made up the Bank's portfolio of liquid investments.

The Bank held securities as indicated in the table below as at the dates shown:

	(in thousands of dollars) As at October 31				
	1986	1985	1984	1983	1982
	(unaudited)				
Securities issued or guaranteed by Canada					
Treasury bills	$170,219	$128,952	$117,604	$ 91,002	$ 77,025
Other maturing within three years	825	1,999	8,721	9,713	7,737
Other not maturing within three years	2,065	20,976	11,952	11,774	8,220
Securities issued or guaranteed by provinces, municipalities or school corporations	3,057	1,741	1,677	993	1,069
Term preferred shares	8,420	49,060	58,079	62,945	86,913
Small business development bonds	7,807	6,790	27,591	34,893	74,233
Other securities	3,195	10,576	13,707	30,897	26,648
Total securities	$195,588	$220,094	$239,331	$242,217	$281,845

Securities were valued in accordance with instructions issued under the authority of the Minister of Finance. Securities in the investment account issued or guaranteed by Canada or a province were recorded at amortized values. As at October 31, 1986, the Bank's investment account included securities issued by the Government of Canada which were carried on its books at the amortized cost of $60 million (1985 — $152 million) and had a market value of $60 million (1985 — $153 million). Other securities held in the investment account were carried at cost or amortized values or were valued using the equity method depending on their prescribed account classification. Securities held in the trading account were recorded at market value.

Land and Premises

In addition to its head office premises, the Bank owned the premises of three of its 41 domestic branch locations. The remainder were leased. As well, the Bank owned a property in the central business district of Kamloops for possible development in the future to satisfy its branch requirements.

As at October 31, 1986, the net book value of the Bank's real estate properties amounted to $13.9 million, exclusive of furniture, fixtures, leasehold improvements, computer equipment and other equipment. The market value of the Bank's real estate properties as at that date is not available.

LIABILITIES

Deposits

The following table presents the classification of the Bank's deposits as at the dates shown:

	Deposits (in thousands of dollars) As at October 31				
	1986 (unaudited)	**1985**	**1984**	**1983**	**1982**
Deposits by Canada	$ 115,695	$ 50,159	$ 22,004	$ 40,039	$ 35,199
Deposits by provinces	250,007	110,130	121,994	33,620	40,915
Deposits by banks					
— in Canadian currency	1,345	9,539	181,195	31,704	2,975
— in currencies other than Canadian	52,678	358,988	542,940	480,123	377,999
Deposits by individuals	1,247,056	1,352,912	1,234,177	1,367,616	1,363,541
Other deposits					
— in Canadian currency	351,226	816,072	627,392	658,779	907,987
— in currencies other than Canadian	24,344	196,580	162,687	186,767	304,676
	$2,042,351	$2,894,380	$2,892,389	$2,798,648	$3,033,292

CONSOLIDATED FINANCIAL STATEMENTS

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To the Shareholders,
Bank of British Columbia

The consolidated financial statements of the Bank of British Columbia for the year ended October 31, 1986 included in the Management Information Circular dated December 12, 1986 are unaudited and accordingly, we express no opinion thereon.

Pursuant to Section 15 of the Form of Proxy Regulations to the Bank Act, we report that we have no reason to believe that these consolidated financial statements were not prepared in accordance with Section 215(3) of the Bank Act, however, we do not comment on the values attributed to assets and liabilities of Bank of British Columbia for the year ended October 31, 1986.

Vancouver, Canada
December 12, 1986

(signed) Peat, Marwick, Mitchell & Co.
(signed) Thorne, Ernst & Whinney
Chartered Accountants

BANK OF BRITISH COLUMBIA

Consolidated Statement of Assets and Liabilities

as at October 31
(in thousands of dollars)

	1986 (unaudited)	1985
Assets		
Cash resources:		
Cash and deposits with Bank of Canada	$ 43,124	$ 69,061
Deposits with other banks	30,998	43,060
Cheques and other items in transit, net	20,063	3,067
	94,185	115,188
Securities (Note 3):		
Issued or guaranteed by Canada	173,109	151,927
Issued or guaranteed by provinces and municipal or school corporations	3,057	1,741
Other securities	19,422	66,426
	195,588	220,094
Loans (Note 4):		
Loans to banks	18,707	48,583
Mortgage loans	433,078	404,163
Other loans (Note 5)	1,851,877	2,312,046
	2,303,662	2,764,792
Other:		
Customers' liability under acceptances (Note 6)	100	7,900
Land, buildings and equipment (Note 7)	28,512	36,501
Other assets (Note 8)	51,893	106,012
	80,505	150,413
	$2,673,940	$3,250,487
Liabilities		
Deposits (Note 10):		
Payable on demand	$ 114,819	$ 183,517
Payable after notice	745,302	831,787
Payable on a fixed date	1,182,230	1,879,076
	2,042,351	2,894,380
Other:		
Advances from Bank of Canada	429,000	—
Acceptances (Note 6)	100	7,900
Liabilities of subsidiaries, other than deposits (Note 11)	57,493	71,759
Other liabilities (Note 12)	56,734	41,795
	543,327	121,454
Subordinated debt:		
Bank debentures (Note 13)	10,319	10,335
Capital and reserves:		
Appropriations for contingencies	(146,309)	(70,784)
Shareholders' equity:		
Capital stock (Note 14):		
$2.28 cumulative redeemable preferred shares, Series A	16,470	17,070
$2.22 cumulative redeemable preferred shares, Series B	20,000	20,000
Common shares	244,870	244,870
Retained earnings (deficit)	(57,088)	13,162
	77,943	224,318
Contingent Liabilities (Note 20)		
	$2,673,940	$3,250,487

See notes to consolidated financial statements.

BANK OF BRITISH COLUMBIA

Consolidated Statement of Income

for the Year Ended October 31
(in thousands of dollars)

	1986 (unaudited)	1985	1984	1983	1982
Interest and dividend income:					
Loans	$290,479	$310,215	$301,209	$304,138	$416,988
Lease financing	6,717	4,787	5,624	6,802	3,963
Securities	7,696	18,555	18,800	25,399	34,446
Deposits with banks	574	4,073	11,859	15,327	32,355
Total interest and dividend income	305,466	337,630	337,492	351,666	487,752
Interest expense:					
Deposits	170,452	245,568	254,757	245,951	400,609
Bank debentures	1,050	1,295	1,482	1,885	1,887
Other	44,784	3,164	25	14	35
Total interest expense	216,286	250,027	256,264	247,850	402,531
Net interest income	89,180	87,603	81,228	103,816	85,221
Provision for loan losses	30,174	16,109	37,881	22,703	15,347
Net interest income after loan loss provision	59,006	71,494	43,347	81,113	69,874
Other income	22,992	26,713	17,770	15,813	16,626
Net interest and other income	81,998	98,207	61,117	96,926	86,500
Non-interest expenses:					
Salaries	43,526	49,964	47,591	50,515	47,696
Pension and other staff benefits	5,468	2,336	2,726	3,648	3,688
Premises and equipment expenses, including depreciation	18,974	16,382	14,453	13,091	11,441
Other	16,830	20,985	16,564	16,946	19,641
Total non-interest expenses	84,798	89,667	81,334	84,200	82,466
Net income (loss) before provision for income taxes	(2,800)	8,540	(20,217)	12,726	4,034
Provision (credit) for income taxes (Note 15)	1,597	1,013	(13,227)	600	(7,700)
Net income (loss) before extraordinary items	(4,397)	7,527	(6,990)	12,126	11,734
Extraordinary items (Note 16)	(63,426)				-
Net income (loss) after extraordinary items	$(67,823)	$ 7,527	$ (6,990)	$ 12,126	$ 11,734
Net income (loss) applicable to common shares (Note 17)					
Before extraordinary items	$ (7,691)	$ 4,187	$(10,407)	$ 9,596	$ 9,993
After extraordinary items	$(71,117)	$ 4,187	$(10,407)	$ 9,596	$ 9,993
Net income (loss) per common share — in dollars (Note 17)					
Before extraordinary items	$(0.23)	$0.14	$(1.96)	$2.15	$2.45
After extraordinary items	$(2.09)	$0.14	$(1.96)	$2.15	$2.45

BANK OF BRITISH COLUMBIA

Consolidated Statement of Appropriations for Contingencies

for the Year Ended October 31
(in thousands of dollars)

	1986 (unaudited)	1985	1984	1983	1982
Balance at beginning of year:					
Tax allowable	$ (81,042)	$(60,466)	$(13,400)	$ 4,675	$ 17,330
Tax paid	10,258	16,679	17,102	10,649	4,640
	(70,784)	(43,787)	3,702	15,324	21,970
Changes during year:					
Provision for loan losses included in the Consolidated Statement of Income	30,174	16,109	37,881	22,703	15,347
Loss experience on loans	(105,699)	(36,106)	(85,370)	(51,325)	(27,993)
Transfer to retained earnings	—	(7,000)	—	17,000	6,000
	(75,525)	(26,997)	(47,489)	(11,622)	(6,646)
Balance at end of year:					
Tax allowable	(156,716)	(81,042)	(60,466)	(13,400)	4,675
Tax paid	10,407	10,258	16,679	17,102	10,649
	$(146,309)	$(70,784)	$(43,787)	$ 3,702	$ 15,324

BANK OF BRITISH COLUMBIA

Consolidated Statement of Changes in Shareholders' Equity

for the Year Ended October 31
(in thousands of dollars)

	1986 (unaudited)	1985	1984	1983	1982
Capital stock (Note 14):					
Balance at beginning of year:					
Preferred shares, Series A	$ 17,070	$ 17,670	$ 18,348	$ 18,928	$ 19,183
Preferred shares, Series B	20,000	20,000	20,000	—	—
Common shares	244,870	72,225	25,848	20,848	17,869
	281,940	109,895	64,196	39,776	37,052
Changes during year:					
Issued: common shares — for cash	—	167,824	—	5,000	2,979
— for stock dividend	—	4,821	—	—	—
preferred shares, Series A	—	—	—	20,000	—
Transfer from contributed surplus — common shares	—	—	46,377	—	—
Purchased for cancellation — preferred shares, Series A	(600)	(600)	(678)	(580)	(255)
	(600)	172,045	45,699	24,420	2,724
Balance at end of year:					
Preferred shares, Series A	16,470	17,070	17,670	18,348	18,928
Preferred shares, Series B	20,000	20,000	20,000	20,000	—
Common shares	244,870	244,870	72,225	25,848	20,848
	$281,340	$281,940	$109,895	$ 64,196	$ 39,776
Retained earnings (deficit):					
Balance at beginning of year	$ 13,162	$ 8,655	$ 20,971	$ 26,555	$ 25,599
Net income (loss)	(67,823)	7,527	(6,990)	12,126	11,734
Dividends — preferred shares, Series A	(1,136)	(1,557)	(2,052)	(1,702)	(1,744)
— preferred shares, Series B	(1,332)	(1,776)	(2,220)	(541)	—
— common shares	—	(4,847)	(1,861)	(3,182)	(2,895)
Expenses related to issues of common shares, net of income taxes	—	(1,764)	(2)	(698)	(139)
Transfer from (to) appropriations for contingencies	—	7,000	—	(17,000)	(6,000)
Income taxes related to the above transfer	—	—	—	4,999	—
Other	41	(76)	809	414	—
Balance at end of year	$(57,088)	$ 13,162	$ 8,655	$ 20,971	$ 26,555

See notes to consolidated financial statements.

BANK OF BRITISH COLUMBIA

Consolidated Statement of Changes in Financial Position

for the Year Ended October 31
(in thousands of dollars)

	1986 (unaudited)	1985	1984	1983	1982
Source of cash:					
Operations:					
Net income (loss)	$ (67,823)	$ 7,527	$ (6,990)	$ 12,126	$ 11,734
Items included in net income (loss) not requiring the use of funds:					
Provision for loan losses	30,174	16,109	37,881	22,703	15,347
Depreciation and write off of fixed assets	9,404	4,229	3,771	2,726	2,175
Amortization and write down of other assets	1,175	382	400	481	234
Deferred income taxes	36,781	(472)	(16,073)	(444)	(8,472)
Total from operations	9,711	27,775	18,989	37,592	21,018
Other items:					
Decrease in:					
Deposits with other banks	12,062	103,020	30,033	58,584	—
Cheques and other items in transit, net	—	—	45,932	—	17,312
Securities	24,506	19,237	2,886	39,628	200
Loans, net	476,255	—	—	204,532	—
Lease financing	—	—	370	—	—
Other assets	21,303	—	5,578	—	—
Increase in:					
Advances from Bank of Canada	429,000	—	—	—	—
Deposits	—	1,991	93,741	—	301,093
Other liabilities	9,670	—	14,529	—	—
Liabilities of subsidiaries, other than deposits	—	71,759	—	—	—
Capital stock issues	—	167,824	—	37,000	12,211
Tax credit related to appropriations	—	—	—	4,999	—
Other	124	180	499	414	—
Total source of cash	982,631	391,786	212,557	382,749	351,834
Use of cash:					
Loss experience on loans	105,699	36,106	85,370	51,325	27,993
Increase in:					
Deposits with other banks	—	—	—	—	35,258
Cheques and other items in transit, net	16,996	10,733	—	41,575	—
Loans, net	—	271,613	110,003	—	221,702
Lease financing	15,125	3,065	—	72	26,901
Land, buildings and equipment	1,415	8,868	3,626	5,945	7,400
Other assets	—	38,360	—	4,953	3,968
Decrease in:					
Deposits	852,029	—	—	234,644	—
Liabilities of subsidiaries, other than deposits	14,266	—	—	—	—
Other liabilities	—	2,388	—	23,204	19,100
Dividends, other than stock dividends	2,468	3,359	6,133	5,425	4,639
Retirement of Bank debentures	16	3,013	6,019	11	24
Redemption of preferred shares	554	552	624	511	158
Share issue expenses, net of income taxes	—	1,764	2	698	139
Other	—	304	—	—	—
Total use of cash	1,008,568	380,125	211,777	368,363	347,282
Increase (decrease) in cash and deposits with Bank of Canada	(25,937)	11,661	780	14,386	4,552
Cash and deposits with Bank of Canada, beginning of year	69,061	57,400	56,620	42,234	37,682
Cash and deposits with Bank of Canada, end of year	$ 43,124	$ 69,061	$ 57,400	$ 56,620	$ 42,234

See notes to consolidated financial statements.

BANK OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

for the Year Ended October 31, 1986
(information with respect to 1986 is unaudited)

1. Basis of Presentation:

On November 27, 1986, by the terms of the Bank of British Columbia Business Continuation Act, (the Special Act), Bank of British Columbia (the "Bank") disposed of 98.6% of its assets to Hongkong Bank of Canada for a purchase price of $2,636,128,000 which was satisfied by the payment of $63,535,000 and the assumption of liabilities as to the balance. In the course of the negotiations leading to the sale, the parties agreed to the values of the assets and liabilities being disposed of, which values have been used in the preparation of these financial statements.

The cash portion of the purchase price is, however, subject to the approval of the shareholders of the Bank. If the shareholders do not approve the consideration obtained, the determination of the values to be placed on the assets and liabilities disposed of is to be referred to an assessor. Under the terms set out in the Special Act, the assessor is directed to take into account all facts relevant to the circumstances of the Bank, including the likelihood, in the absence of the Sale Agreement, of

(a) the profitability and continuing viability of the Bank as an independent bank;

(b) the sale of the assets of the Bank other than to Hongkong Bank of Canada; and

(c) the appointment of a curator or the winding-up of the business of the Bank.

Should an assessor be appointed, the values of the assets and liabilities sold to Hongkong Bank of Canada as determined by the assessor, could differ from those agreed to by the parties to the Sale Agreement. In this case the financial statements would require adjustments to reflect those values.

The assets and liabilities retained by the Bank have been stated at their estimated net realizable values in the course of an orderly liquidation over time.

(See also Note 2, Prescribed Accounting Principles; Note 20, Contingent Liabilities.)

2. Prescribed accounting policies:

The Bank Act and the rules and regulations issued thereunder by the Minister of Finance prescribe the form and content of the Bank's financial statements, as well as most of the accounting policies. The prescribed accounting policies followed by the Bank in determining net income conform in all material respects with generally accepted accounting principles except for the accounting for losses on loans and the deferral of gains and losses on the disposal of fixed maturity debt securities held in the investment account, as required by the above mentioned rules and regulations.

The significant prescribed accounting policies followed by the Bank are summarized below:

(a) Basis of consolidation:

The assets and liabilities and results of operations of the Bank and its subsidiaries are reported in the financial statements on a consolidated basis. The subsidiaries are as follows:

Canadian:	Bank of British Columbia Mortgage Corporation
	Bank of British Columbia Financial Services Corporation
	BBC Investments Ltd.
	BBC Realty Investments Limited
	BBC Realty Ltd.
	WestBank Leasing Limited
	REIT Properties Ltd.
Foreign:	Bank of British Columbia (International) Limited
	British Columbia Financial Corp. (H.K.) Limited

(b) Securities:

Securities held for trading purposes are carried at market value. Realized gains and losses and unrealized valuation adjustments to market are recorded in current income.

Securities held for investment purposes are carried at cost, with the exception of those securities issued or guaranteed by the Government of Canada or the provinces which are carried at cost, adjusted for amortization of premiums and discounts. Any provision for permanent impairment in value of investment securities is recognized through a charge to current income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account, other than treasury bills, are deferred and amortized to income over five years on the straight-line basis. Gains and losses resulting from disposals of other securities, including treasury bills, held in the investment account are recorded in current income.

The income effects of the amortization of premiums and discounts, the gains and losses on the disposal of securities and the adjustments to the valuations of both investment and trading account securities are recorded in Income from Securities in the Consolidated Statement of Income.

(c) Loans:

Loans are recorded at the principal amount less unearned income, where applicable, and specific and general provisions for losses.

Interest income is recorded on the accrual basis until such time as a loan is classified as non-accrual. Loans are placed on a non-accrual basis whenever there is, in the opinion of management, reasonable doubt as to the ultimate collectibility of some portion of principal or interest or when interest on a loan is due and has not been collected for a period of 90 days, unless senior credit management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest. The amount of this overdue interest is charged against current year's income. Interest income on non-accrual loans is recorded on a cash basis.

(d) Direct finance leases:

Direct finance leases are included in Other Loans in the Consolidated Statement of Assets and Liabilities. The gross lease receivable and the unearned lease income are recorded at the time a lease transaction is executed. The unearned lease income is taken into income over the lease term in amounts directly related to the balance of the net investment in the lease.

(e) Loan losses:

Actual loan loss experience for the year, which consists of net changes in specific and general provisions for losses less recoveries on loans previously written off, is charged directly to appropriations for contingencies. A provision for future loan losses is charged to income and credited to appropriations for contingencies annually. The amount of this provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year.

As a consequence of the financial restructuring completed during 1985 and following consultation with the Inspector General of Banks, commencing in 1985 the rules for the determination of the provision for future loan losses, to be charged to income and credited to appropriations for contingencies, are being applied using the ratio of loan loss experience to eligible loans for the years 1982 to 1984 similar to the ratio experienced by the Bank in the years prior to 1982. This is accomplished by replacing the actual loan loss experience for the years 1982 through 1984 in the five year average provision formula with amounts representing normalized loan loss experience of 0.40% of eligible loans.

(f) Appropriations for contingencies:

Appropriations for contingencies consist of two elements — tax-allowable and tax-paid. The tax-allowable portion consists of provisions for loan losses charged to income plus discretionary transfers from retained earnings less the unconsolidated Bank actual loan loss experience. Transfers to tax-allowable appropriations for contingencies including transfers from retained earnings, are made on a tax-deductible basis. The limit on the tax-allowable appropriations is known as Prescribed Aggregate Reserve, and is calculated by applying a percentage, determined by regulation, to eligible assets net of specific and general provisions for losses relating to such assets (1½% of the first $2 billion and 1% of the excess thereof).

The tax-paid portion of appropriations for contingencies reflects the net of actual loan loss experience and provisions for loan losses as they relate to consolidated subsidiaries, and discretionary transfers to or from retained earnings on which taxes have been provided.

(g) Depreciation:

Depreciation is provided for on the straight-line basis over the estimated useful life of the asset. Gains and losses on disposal of fixed assets are reported in the Consolidated Statement of Income.

(h) Translation of foreign currencies:

Assets and liabilities in foreign currencies are translated into Canadian dollars at the prevailing year-end rates; revenues and expenses are translated at prevailing month-end rates. Realized and unrealized gains and losses from transactions in and translations of foreign currencies are reported in Other Income in the Consolidated Statement of Income, except for unrealized gains and losses on investments in foreign subsidiaries which are credited or charged to retained earnings net of income taxes.

3. **Securities:**

(in thousands of dollars)

	Maturities						Total	
	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	No Specific Maturity	1986	1985
Investment Account Securities:								
Securities issued or guaranteed by:								
Canada	$58,167	$ —	$—	$2,065	$ —	$ —	$ 60,232	$151,927
Provinces	—	—	—	—	—	—	—	994
Other securities:								
Debt securities:								
Income debentures	100	125	—	—	—	—	225	2,240
Small business development bonds	—	7,807	—	—	—	—	7,807	6,790
Other Canadian issuers	—	—	—	—	—	—	—	3,000
Issuers other than Canadian	—	—	—	—	—	—	—	64
Equity securities:								
Term preferred shares	343	3,623	685	1,713	2,056	—	8,420	49,060
Other Canadian issuers	—	—	—	—	—	2,970	2,970	5,162
Total investment account securities	$58,610	$11,555	$685	$3,778	$2,056	$2,970	79,654	219,237
Trading Account Securities:								
Securities issued or guaranteed by:								
Canada							112,877	—
Provinces							3,057	747
Other securities							—	110
Total trading account securities							115,934	857
Total securities							$195,588	$220,094

4. **Loans:**

(in thousands of dollars)

The Bank has two categories of non-performing loans: non-accrual loans (Note 2(c)) and renegotiated reduced rate loans which are loans where the terms have been modified to provide for a reduction in the interest rate due to the weakened financial condition of the borrower.

	1986			1985		
	Domestic	International	Total	Domestic	International	Total
Current loans:						
Banks	$ —	$ 18,501	$ 18,501	$ —	$ 47,667	$ 47,667
Mortgages	423,484	—	423,484	399,195	—	399,195
Other loans	1,595,642	231,532	1,827,174	1,818,295	455,042	2,273,337
Provisions for losses	(4,483)	(42,800) (1)	(47,283)	(4,720)	(8,200) (1)	(12,920)
Net current loans	2,014,643	207,233	2,221,876	2,212,770	494,509	2,707,279
Non-performing loans:						
Non-accrual loans	137,119	6,362	143,481	90,332	6,235	96,567
Renegotiated reduced rate loans	—	—	—	1,000	—	1,000
Provisions for losses	(60,482)	(1,213)	(61,695)	(36,967)	(3,087)	(40,054)
Net non-performing loans	76,637 (2)	5,149	81,786	54,365 (2)	3,148	57,513
Total loans	$2,091,280	$212,382	$2,303,662	$2,267,135	$497,657	$2,764,792

(1) The Bank maintains a general provision for losses against sovereign risk loans made to certain countries which have encountered difficulty in servicing their debt or have required debt restructuring during the past few years. The general provision at October 31, 1986 amounted to $42,800,000 (1985 — $8,200,000) which represents approximately 38.0% (1985 — 7.6%) of the sovereign risk loans outstanding to these countries which are subject to rescheduling.

(2) Net non-accrual consumer loans amounted to $2,963,341 at October 31, 1986 (1985 — $4,293,000).

5. Other loans:

(in thousands of dollars)

	1986	1985
Direct finance leases	$ 61,919	$ 46,794
Consumer loans	291,088	367,599
Loans in currencies other than Canadian	313,041	544,863
Demand and other loans in Canadian currency	1,185,829	1,352,790
	$1,851,877	$2,312,046

6. Acceptances, guarantees and letters of credit:

(in thousands of dollars)

The Bank issues acceptances and letters of credit, and guarantees the payment of certain liabilities of customers, and has recourse against those customers with respect to any payments made on all of these commitments. Acceptances are reported as a liability and an offsetting asset in the Consolidated Statement of Assets and Liabilities. Guarantees and letters of credit are not reported in the Consolidated Statement of Assets and Liabilities but have been detailed below:

	1986	1985
Guarantees	$51,261	$ 63,827
Letters of credit	30,210	57,968
	$81,471	$121,795

7. Land, buildings and equipment:

(in thousands of dollars)

	Cost	Accumulated Depreciation	Net Book Value 1986	Net Book Value 1985
Land	$12,385	$ —	$12,385	$13,185
Buildings	1,965	456	1,509	2,578
Computer equipment	12,233	6,019	6,214	7,662
Furniture, fixtures and equipment	10,149	7,714	2,435	5,043
Leasehold improvements	13,272	7,303	5,969	8,033
	$50,004	$21,492	$28,512	$36,501

8. Other assets:

(in thousands of dollars)

	1986	1985
Accrued interest receivable	$19,401	$ 25,589
Deferred income taxes	—	31,641
Real property other than Bank premises	20,403	25,942
Income producing property	5,850	17,651
Sundry, including accounts receivable	6,239	5,189
	$51,893	$106,012

9. Geographical distribution of assets by location of ultimate risk:

(in thousands of dollars)

	1986		1985	
	Amount	**Percent**	**Amount**	**Percent**
Canada	$2,418,645	90.4%	$2,799,034	86.1%
United States	135,590	5.1	154,289	4.8
Europe	20,175	0.8	78,207	2.4
Middle East and Africa	89	—	133	—
Asia/Pacific	26,474	1.0	91,822	2.8
Latin America and Caribbean:				
Brazil	28,437	1.0	55,327	1.7
Mexico	37,071	1.4	61,791	1.9
Other	7,459	0.3	9,884	0.3
	72,967	2.7	127,002	3.9
Total assets	$2,673,940	100.0%	$3,250,487	100.0%

The countries noted separately above represent those countries to which more than 1% of the Bank's risk assets are attributable at October 31, 1986. Risk assets for this purpose are defined as deposits with other banks, securities, loans (excluding mortgages) and customers liability under acceptances. As at October 31, 1986 risk assets totalled $2,098 million (1985 — $2,632 million).

10. Deposits:

(in thousands of dollars)

	1986	**1985**
Deposits by Canada	$ 115,695	$ 50,159
Deposits by provinces	250,007	110,130
Deposits by banks	54,023	368,527
Deposits by individuals	1,247,056	1,352,912
Other deposits	375,570	1,012,652
	$2,042,351	$2,894,380

11. Liabilities of subsidiaries, other than deposits:

(in thousands of dollars)

	1986	**1985**
Bank of British Columbia Financial Services Corporation:		
Guaranteed floating rate notes (30 day Bankers' Acceptance rate plus 0.25%), retractable at the option of the holder in August, 1988 and maturing in August, 1990	$57,000	$60,000
Guaranteed fixed rate notes bearing interest at rates from 11.25% to 12.5% payable in various amounts to 1989	493	11,759
	$57,493	$71,759

12. Other liabilities:

(in thousands of dollars)

	1986	**1985**
Accrued interest payable	$18,151	$27,217
Accounts payable and accrued expenses	33,314	14,578
Deferred income taxes	5,269	—
	$56,734	$41,795

13. **Bank debentures:**

(in thousands of dollars)

	1986	1985
7½% sinking fund debentures, maturing November, 1991	$ 319	$ 335
10¼% debentures, redeemable at the Bank's option until maturity in May, 1989	10,000	10,000
	$10,319	$10,335

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors.

14. **Capital stock:**

Authorized:

Preferred shares — 3,000,000 shares without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000

Common shares— an unlimited number of shares without nominal or par value, issuable for an aggregate consideration not exceeding $500,000,000

	1986		1985	
	Number of Shares	Amount	Number of shares	Amount
Outstanding:				
(in thousands of dollars)				
Preferred shares, Series A:				
At beginning of year	682,800	$ 17,070	706,800	$ 17,670
Purchased for cancellation	(24,000)	(600)	(24,000)	(600)
At end of year	658,800	16,470	682,800	17,070
Preferred shares, Series B:				
At beginning and end of year	800,000	20,000	800,000	20,000
Common shares:				
At beginning of year	33,964,324	244,870	5,169,526	72,225
Issued for cash	—	—	27,970,713	167,824
Stock dividend	—	—	824,085	4,821
At end of year	33,964,324	244,870	33,964,324	244,870
Total capital stock		$281,340		$281,940

Share rights and privileges:

Preferred shares, Series A:

These shares are redeemable at the option of the Bank at $26.50 per share declining annually by $0.50 per share to $25.00 per share after October 30, 1988.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter 6,000 of the outstanding preferred shares, Series A at prices not exceeding $25.00 per share.

Preferred shares, Series B:

These shares are redeemable at the option of the Bank at any time on or after July 1, 1988 at $26.20 per share declining annually thereafter by $0.30 per share to $25.00 per share after July 1, 1992. These shares are retractable at the option of the holder on June 1, 1995 at $25.00 per share.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter at prices not exceeding $25.00 per share the following number of these shares:

(a) during the period commencing July 1, 1988 and ending June 30, 1995, 6,000 preferred shares, Series B; and

(b) commencing July 1, 1995 and thereafter, 0.75% of the number of preferred shares, Series B outstanding on June 30, 1995.

This obligation is cumulative only within each calendar year.

Dividends, Preferred shares, Series A and Series B

The Directors of the Bank have decided not to declare or pay the regular quarterly dividends on the preferred shares, Series A and the preferred shares, Series B otherwise due on December 15, 1986 and December 1, 1986, respectively and do not expect to declare or pay any further dividends.

Common shares:

The Bank is presently required to consult with, and receive the consent of, the Inspector General of Banks prior to the payment of a cash dividend on the common shares until such time as the deficit in appropriations for contingencies has been eliminated. This requirement is subject to review by the Inspector General of Banks.

15. Income taxes:

(in thousands of dollars)

The provision (credit) for income taxes recorded in the Consolidated Statement of Income represents income taxes applicable to the income or loss reported therein.

Income taxes recorded in retained earnings represent the income tax effect related to the tax deductible transfer from retained earnings to appropriations for contingencies, to loan loss experience of subsidiaries, to share issue expenses and to unrealized exchange gains on investments in foreign subsidiaries.

Provision (credit) for income taxes

	1986	1985
Consolidated Statement of Income:		
Current	$ 666	$ 1,485
Deferred	931	(472)
	1,597	1,013
Extraordinary item (note 16):		
Deferred	35,850	
Retained earnings:		
Deferred	129	(1,479)
	$37,576	$ (466)

16. Extraordinary items:

The extraordinary items of $63,426,000 reported in the Consolidated Statement of Income are comprised of the following:

i) Discontinuance and restructuring of the Bank's operations.

In the second quarter of 1986 the Bank made the decision to consolidate its domestic operations and to close or dispose of those operations which were marginal or unprofitable. As a result the Bank closed 19 branches in Manitoba, Saskatchewan and Alberta. In addition the offices in Los Angeles and London were closed and the operations in San Francisco and Hong Kong significantly reduced in size. The total costs related to this decision were estimated to be $20,909,000 and reported as an extraordinary item in the second quarter. The Bank reduced this estimate by $1,000,000 in the third quarter and at year end the Bank's review of these costs, including the cost of the sale of virtually all of its assets to the Hongkong Bank of Canada, resulted in the estimate being revised to $19,576,000.

ii) Deferred income taxes.

At October 31, 1985 the Bank had recognized, as an asset on its balance sheet, $35,850,000 of deferred income taxes. This asset represented unutilized discretionary deductions which could be used in future years to reduce taxes otherwise payable in those years. In light of the Bank's loss in 1986 and the projections for 1987 and beyond, it became apparent that it was unlikely there would be sufficient taxable income generated in the reasonable future to utilize these tax deductions. The deferred income tax debits amounting to $35,850,000 were therefore written off to income in 1986.

iii) Contingent liabilities

A provision for contingent liabilities, as discussed in note 20, has been established in the amount of $8,000,000.

17. Net income (loss) per common share:

Net income (loss) per common share has been calculated on the daily weighted average number of common shares outstanding after giving retroactive effect to stock dividends (1986 — 33,964,324; 1985 — 29,554,940) and after giving effect to the preferred share dividend obligations for the year.

18. Long-term commitments for leases:

Rental expense for premises for the year ended October 31, 1986 was $6,663,000 (1985 — $6,784,000). Minimum future rental commitments for premises under long-term leases are shown below. The Bank has no lease commitments which extend beyond 2007.

(in thousands of dollars)

1987	$ 7,133
1988	6,875
1989	6,326
1990	5,595
1991	4,429
1992 and thereafter	51,620

19. Pension plan:

The Bank's employee pension plan (the "Plan") was amended at January 1, 1986 from a defined benefit plan to a combination plan which now provides benefits to participants on a money purchase basis with a defined minimum benefit guaranteed.

Each full time employee of the Bank becomes a participant in the Plan after three months service. Each part-time employee becomes a participant following the completion of two Plan years in each of which the employee's earnings at least equal 35% of the yearly maximum pensionable earnings.

The actuarial valuation of the Plan as at January 1, 1986 indicated an excess of the actuarial value of the assets over actuarial liabilities of $21,876,000. As a result the Bank requested and received permission from the Superintendent of Insurance and Revenue Canada to withdraw funds from the pension fund surplus. Upon receipt of the approval from the Superintendent of Insurance the Bank recognized $10,429,000 of income (net of income taxes of $11,447,000) in its quarter ended April 30, 1986. Shortly after the Bank obtained the approval of the Superintendent of Insurance, certain judicial developments in the area of pension plans intervened and the trustee of the Plan asked for further assurances before agreeing to release any of the surplus. Subsequent to the end of the Bank's fiscal year, the Superintendent of Insurance, in view of the intervening jurisprudence, revoked his previous approval and advised the Bank that it would be allowed to reapply to withdraw the surplus in accordance with new guidelines. This resulted in the Bank reversing in the fourth quarter the amount previously recorded.

As at October 31, 1986 the date of the latest actuarial review, the actuarial value of the assets of the Plan exceeded the actuarial liabilities by $23,099,000.

20. Contingent liabilities:

The Bank is subject to a number of legal actions in the normal course of its business. A significant number of these actions have arisen in connection with loan collection proceedings and the Bank has made specific provisions in appropriate cases. In some cases counsel have given opinions as to the Bank's ultimate liability. In others, counsel consider it premature to provide any opinion. Taking into account the opinions of counsel, where applicable, and the Bank's experience in prior years the Bank has provided a reasonable amount in the accounts for the eventual resolution of the contingent litigation liabilities.

The Internal Revenue Service (the "IRS") in the United States proposes to reassess the Bank for the years 1978 to 1980 inclusive. The Bank has filed an official protest against this proposed reassessment. It is the view of the Bank's United States Tax Counsel that substantial defences exist as to the adjustments proposed by the IRS, however, it is not possible to determine at this time what the eventual outcome will be. Should the Bank's protest fail there is a possibility of further reassessments for the years 1981 to 1986, the potential magnitude of which are not determinable at this time. The Bank has provided a reasonable amount in the accounts for the possibility of being unsuccessful in its protest.

APPENDIX "B"

BANK OF BRITISH COLUMBIA BUSINESS CONTINUATION ACT

C-27

Second Session, Thirty-third Parliament,
35 Elizabeth II, 1986

THE HOUSE OF COMMONS OF CANADA

BILL C-27

An Act to facilitate the continuation of the business of the Bank of British Columbia

AS PASSED BY THE HOUSE OF COMMONS NOVEMBER 27, 1986

C-27

Deuxième session, trente-troisième législature,
35 Elizabeth II, 1986

CHAMBRE DES COMMUNES DU CANADA

PROJET DE LOI C-27

Loi facilitant la poursuite des activités de la Banque de la Colombie-Britannique

ADOPTÉ PAR LA CHAMBRE DES COMMUNES LE 27 NOVEMBRE 1986

2nd Session, 33rd Parliament,
35 Elizabeth II, 1986

THE HOUSE OF COMMONS OF CANADA

BILL C-27

An Act to facilitate the continuation of the business of the Bank of British Columbia

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

SHORT TITLE

Short title

1. This Act may be cited as the *Bank of British Columbia Business Continuation Act*.

INTERPRETATION

Interpretation

2. (1) In this Act,

"Bank" *«Banque»*

"Bank" means the Bank of British Columbia;

"Corporation" *«Société»*

"Corporation" means the Canada Deposit Insurance Corporation;

"Minister" *«ministre»*

"Minister" means the Minister of Finance;

"purchasing bank" *«banque acheteuse»*

"purchasing bank" means a bank purchasing the whole or part of the assets of the Bank as referred to in this Act;

"sale agreement" *«contrat de vente»*

"sale agreement" means an agreement referred to in subsection 5(2);

"trust amount" *«montant en fiducie»*

"trust amount" means the amount of money paid into the trust account under section 7.

Other words and expressions

(2) Unless otherwise provided, words and expressions used in this Act have the same meaning as in the *Bank Act*.

2ᵉ session, 33ᵉ législature,
35 Elizabeth II, 1986

CHAMBRE DES COMMUNES DU CANADA

PROJET DE LOI C-27

Loi facilitant la poursuite des activités de la Banque de la Colombie-Britannique

Sa Majesté, sur l'avis et avec le consentement du Sénat et de la Chambre des communes du Canada, édicte :

TITRE ABRÉGÉ

Titre abrégé

1. *Loi sur la poursuite des activités de la Banque de la Colombie-Britannique.*

CHAMP D'APPLICATION

Définitions

2. (1) Les définitions qui suivent s'appliquent à la présente loi.

«Banque» *"Bank"*

«Banque» La Banque de la Colombie-Britannique.

«banque acheteuse» *"purchasing bank"*

«banque acheteuse» Banque qui achète la totalité ou une partie des éléments d'actif de la Banque.

«contrat de vente» *"sale agreement"*

«contrat de vente» Contrat visé au paragraphe 5(2).

«ministre» *"Minister"*

«ministre» Le ministre des Finances.

«montant en fiducie» *"trust amount"*

«montant en fiducie» Le montant versé dans le compte en fiducie en conformité avec l'article 7.

«Société» *"Corporation"*

«Société» La Société d'assurance-dépôts du Canada.

Terminologie

(2) Sauf disposition contraire, les termes de la présente loi s'entendent au sens de la *Loi sur les banques*.

CONFLICT OF PROVISIONS

Act prevails

3. In the event of a conflict between the provisions of this Act and any other Act or law, the provisions of this Act shall prevail.

APPLICATION

In lieu of *Bank Act* provisions

4. Sections 5 to 9 apply in respect of the sale of assets of the Bank and all matters related thereto in lieu of and notwithstanding anything in the *Bank Act* but nothing in this Act shall be construed as modifying the application of that Act in respect of a purchasing bank except that, in respect of a purchasing bank, paragraph 275(2)(*c*) of that Act shall not apply.

SALE OF ASSETS

Sale of assets authorized

5. (1) The Bank may sell the whole or part of the assets of the Bank to a purchasing bank.

Sale agreement

(2) The terms of purchase and sale of assets under this section shall be specified in a sale agreement entered into between the Bank and the purchasing bank.

Effect of Governor in Council approval

(3) The approval pursuant to section 6 by the Governor in Council of a sale agreement vests in the purchasing bank the assets of the Bank that under the agreement are purchased by the purchasing bank and, subject to the agreement, the Bank shall thereafter, if requested by the purchasing bank, execute such formal and separate conveyances, assignments and assurances as are reasonably required to confirm or evidence the vesting in the purchasing bank of the full title and ownership of the assets.

Idem

(4) On the approval of a sale agreement by the Governor in Council

(*a*) the purchasing bank becomes liable instead of the Bank to discharge all obligations of the Bank that have been assumed by the purchasing bank under the agreement; and

(*b*) the agreement is in full force and effect notwithstanding any winding up of

INCOMPATIBILITÉ

Primauté

3. Les dispositions de la présente loi l'emportent sur les dispositions incompatibles de toute autre loi ou règle de droit.

APPLICATION

En remplacement de la *Loi sur les banques*

4. Les articles 5 à 9 s'appliquent à l'égard de la vente d'éléments d'actif de la Banque et de tout ce qui s'y rapporte en remplacement de la *Loi sur les banques* et par dérogation à celle-ci; toutefois les dispositions de la présente loi n'ont pas pour effet de modifier l'application de la *Loi sur les banques* à une banque acheteuse, sauf que, à l'égard de celle-ci, l'alinéa 275(2)*c*) de cette loi ne s'applique pas.

VENTE D'ÉLÉMENTS D'ACTIF

Vente d'éléments d'actif

5. (1) La Banque peut vendre la totalité ou une partie de ses éléments d'actif à une banque acheteuse.

Conditions de la vente

(2) Les conditions de la vente d'éléments d'actif en vertu du présent article sont énoncées au contrat de vente conclu entre la Banque et la banque acheteuse.

Conséquences de l'approbation du gouverneur en conseil

(3) L'approbation d'un contrat de vente par le gouverneur en conseil en vertu de l'article 6 confère à la banque acheteuse la pleine propriété des éléments d'actif de la Banque visés par le contrat. Sous réserve du contrat, la banque acheteuse peut dès lors exiger de la Banque qu'elle lui signe, en bonne et due forme et par documents distincts, les actes de transfert, de cession ainsi que les assurances qui sont raisonnablement nécessaires pour confirmer ou constater le transfert à la banque acheteuse du droit et des titres de propriété sur les éléments d'actif.

Idem

(4) Dès l'approbation d'un contrat de vente par le gouverneur en conseil :

a) la banque acheteuse assume les obligations de la Banque prévues au contrat;

b) le contrat prend effet nonobstant la liquidation de la Banque ou toute ordonnance d'un tribunal.

the business of the Bank or any order of a court.

Activities of Bank restricted

(5) When the Governor in Council has approved a sale agreement, the Bank may thereafter carry on business only to the extent necessary to enable the directors to carry out the sale agreement and wind up the business of the Bank.

Approval of Governor in Council required

6. (1) A sale agreement has no force or effect until it has been approved by the Governor in Council.

Condition

(2) The Governor in Council shall not approve a sale agreement unless the Minister recommends that the agreement be approved.

Evidence of approval

(3) The approval by the Governor in Council of a sale agreement shall be evidenced by an order of the Governor in Council and a copy of the order purporting to have annexed thereto a true copy of the agreement, certified by the Clerk or Assistant Clerk of the Privy Council for Canada, is in all courts and for all purposes, evidence of the agreement, of the due execution thereof, of its approval by the Governor in Council and of the regularity of all proceedings in connection therewith.

Trust amount payment

7. On the approval by the Governor in Council of a sale agreement, the purchasing bank shall forthwith pay into a trust account designated by the Bank and the Corporation the amount of money payable to the Bank under the sale agreement by the purchasing bank.

Special meeting

8. (1) The sale agreement shall be submitted to the shareholders of the Bank at a special meeting duly called for the purpose only of determining whether the shareholders approve the consideration obtained by the Bank for the assets sold to the purchasing bank.

Notice of meeting

(2) The directors of the Bank shall cause a copy of the sale agreement to be sent by registered mail to every shareholder of the Bank at his recorded address at least two weeks prior to the date of the meeting referred to in subsection (1), together with a

Liquidation de la Banque

(5) Dès l'approbation d'un contrat de vente par le gouverneur en conseil, la Banque ne peut poursuivre ses activités que dans la mesure nécessaire pour permettre à ses administrateurs de poursuivre l'exécution du contrat et de procéder à la liquidation de la Banque.

Approbation du gouverneur en conseil

6. (1) Un contrat de vente ne prend effet que sur approbation du gouverneur en conseil.

Condition

(2) Le gouverneur en conseil ne peut approuver un contrat de vente que sur avis favorable du ministre.

Preuve de l'approbation

(3) L'approbation d'un contrat de vente par le gouverneur en conseil est constatée par un décret. Une copie du décret, certifiée par le greffier ou le greffier adjoint du Conseil privé pour le Canada et censée comporter en annexe une copie conforme du contrat, fait foi, devant tout tribunal et à toutes fins, du contenu du contrat, de la régularité de sa conclusion, de son approbation par le gouverneur en conseil et de la régularité de toutes les procédures s'y rattachant.

Versement à un fiduciaire

7. Dès l'approbation par le gouverneur en conseil d'un contrat de vente, la banque acheteuse verse sans délai dans un compte en fiducie désigné par la Banque et la Société la somme d'argent qu'elle est tenue de payer à la Banque en vertu du contrat.

Assemblée spéciale

8. (1) Le contrat de vente est soumis aux actionnaires de la Banque lors d'une assemblée spéciale convoquée dans le seul but de déterminer si les actionnaires approuvent la contrepartie que la Banque a obtenue de la banque acheteuse pour les éléments d'actif vendus.

Transmission de l'avis

(2) Les administrateurs de la Banque font parvenir une copie du contrat de vente, par lettre recommandée, aux actionnaires de la Banque à leur adresse inscrite. La lettre est accompagnée d'un avis indiquant les jour, heure et lieu de l'assemblée ainsi que d'une

notice of the time and place of the holding of the meeting and a management proxy circular.

Resolution to be placed before shareholders

(3) At the meeting of the shareholders a resolution shall be placed before the shareholders to approve the consideration obtained by the Bank.

Where resolution carried

9. (1) If, at the meeting of the shareholders, the resolution referred to in subsection 8(3) is carried by a majority of the votes cast by the shareholders present in person or represented by proxy at the meeting, the trust amount shall forthwith be released to the Bank.

Where resolution not carried

(2) If the resolution is not carried as described in subsection (1), the Governor in Council shall, as soon as practicable after the meeting of the shareholders, appoint an assessor.

Assessor's duties

(3) As soon as practicable after his appointment, the assessor shall determine

(*a*) as of the day immediately before this Act comes into force, the net realizable value, if any, of the assets less the obligations of the Bank, hereinafter in this section referred to as the "net value"; and

(*b*) any net realizable value of the assets and obligations retained by the Bank under the sale agreement, hereinafter in this section referred to as the "net retained value".

Determination factors

(4) In making the determination under subsection (3), the assessor shall take account of all such facts as the assessor deems relevant relating to the circumstances of the Bank including, without limiting the generality of the foregoing, the likelihood, in the absence of the sale agreement,

(*a*) of profitability and continuing viability of the Bank as an independent bank;

(*b*) of sale of the assets of the Bank other than to the purchasing bank; and

(*c*) of the appointment of a curator or the winding up of the business of the Bank.

Report of assessor

(5) As soon as practicable after making a determination under this section, the assessor

circulaire de sollicitation de procuration émanant de la direction. Le délai entre la date de l'envoi des lettres recommandées et celle de l'assemblée est d'au moins deux semaines.

Résolution

(3) Lors de l'assemblée spéciale, les actionnaires sont saisis d'une résolution portant approbation de la contrepartie que la Banque a obtenue.

Approbation

9. (1) Si, lors de l'assemblée, la résolution visée au paragraphe 8(3) est approuvée par la majorité des voix exprimées par les actionnaires présents ou représentés, le montant en fiducie est remis sans délai à la Banque.

Rejet

(2) Si la résolution n'est pas approuvée de la manière prévue au paragraphe (1), le gouverneur en conseil nomme, dans les meilleurs délais après l'assemblée, un évaluateur.

Fonctions de l'évaluateur

(3) Dans les meilleurs délais après sa nomination, l'évaluateur détermine :

a) la valeur nette réalisable des éléments d'actif moins les obligations de la Banque, la veille de l'entrée en vigueur de la présente loi — appelée au présent article «valeur nette»;

b) la valeur nette réalisable des éléments d'actif et des obligations retenus par la Banque dans le contrat de vente — appelée au présent article «valeur nette retenue».

Critères

(4) Dans le cadre de la détermination qu'il fait sous le régime du paragraphe (3), l'évaluateur est tenu de prendre en considération tous les faits qu'il juge pertinents à la situation générale de la Banque, notamment la possibilité, en l'absence du contrat de vente :

a) pour la Banque de faire des profits et de continuer à exister de façon indépendante;

b) de vendre ses éléments d'actif à un acheteur autre que la banque acheteuse;

c) de nommer un curateur ou de procéder à la liquidation de la Banque.

Rapport

(5) Dans les meilleurs délais après avoir fait la détermination visée au présent article,

shall make a report to the Governor in Council, the Bank and the Corporation setting out therein the amount, if any, of the net value and the net retained value so determined.

l'évaluateur en fait rapport au gouverneur en conseil, à la Banque et à la Société; le rapport indique la valeur nette et la valeur nette retenue qu'il a déterminées.

Determination, etc., is final

(6) The determination and report of the assessor are for all purposes final and conclusive and shall not be questioned or reviewed in any court.

Détermination et rapport définitifs

(6) La détermination et le rapport de l'évaluateur en conformité avec le présent article sont définitifs; ils ne peuvent être mis en question devant un tribunal ou révisés par celui-ci.

Powers of assessor

(7) For the purposes of making a determination under this section, the assessor has and may exercise all the powers of a person appointed as a commissioner under Part I of the *Inquiries Act*.

Pouvoirs de l'évaluateur

(7) Afin de déterminer la valeur nette réalisable des éléments d'actif en conformité avec le présent article, l'évaluateur a tous les pouvoirs d'un commissaire nommé en vertu de la partie I de la *Loi sur les enquêtes*.

Effect of determination

(8) Where the assessor determines that the net value is an amount equal to or greater than the aggregate of the trust amount plus the net retained value,

(*a*) the trust amount shall forthwith be released to the Bank; and

(*b*) to the extent that it is greater than that aggregate, the Corporation shall forthwith pay to the Bank the difference between the greater amount and that aggregate.

Montant égal ou supérieur

(8) Si l'évaluateur détermine que la valeur nette est égale ou supérieure au total du montant en fiducie et de la valeur nette retenue, le montant en fiducie est remis sans délai à la Banque et, dans la mesure où la valeur déterminée est supérieure à ce total, la Société verse sans délai la différence à la Banque.

Idem

(9) Where the assessor determines that the net value is an amount less than the aggregate of the trust amount plus the net retained value, there shall forthwith be released

(*a*) to the Bank such portion of the trust amount as was determined to be the net value less the net retained value; and

(*b*) to the Corporation the remainder of the trust amount.

Montant inférieur

(9) Si l'évaluateur détermine que la valeur nette est inférieure au total du montant en fiducie et de la valeur nette retenue, la partie du montant en fiducie égale à la valeur déterminée moins la valeur nette retenue est remise sans délai à la Banque et le solde est remis à la Société.

Release conditions

(10) Notwithstanding subsections (8) and (9), the trust amount or any portion thereof that is to be released to the Bank under this section shall be released subject to the provisions of the sale agreement including any rights, remedies and protections provided in the agreement in favour of the purchasing bank.

Conditions de la remise

(10) Par dérogation aux paragraphes (8) et (9), le montant en fiducie, ou la partie de celui-ci, qui doit être remis à la Banque sous le régime du présent article l'est sous réserve des dispositions du contrat de vente notamment de celles qui accordent une protection, des droits ou des recours à la banque acheteuse.

DISSOLUTION

Application for dissolution of Bank

10. (1) For the purposes of carrying out a sale agreement, the directors of the Bank may resolve to liquidate and dissolve the Bank and, on behalf of the Bank, make an

DISSOLUTION

Lettres patentes de dissolution

10. (1) Dans l'exécution d'un contrat de vente, les administrateurs de la Banque peuvent décider de liquider et de dissoudre la Banque et, au nom de celle-ci, présenter au

application to the Minister for letters patent dissolving the Bank, and in such case the application shall, subject to subsection (2), be deemed to have been made under section 287 of the *Bank Act*.

ministre une demande de lettres patentes de dissolution; cette demande est, sous réserve du paragraphe (2), réputée avoir été présentée en vertu de l'article 287 de la *Loi sur les banques*.

Interpretation of section 287 of *Bank Act*

(2) For the purposes of subsection (1), section 287 of the *Bank Act* shall be read and construed as if

(*a*) subsections (2) and (3) thereof were not applicable to the Bank; and

(*b*) a reference in that section to subsection (3) of that section were a reference to subsection (1) of this section.

Règles d'application

(2) Pour l'application du paragraphe (1), l'article 287 de la *Loi sur les banques* s'interprète comme si :

a) ses paragraphes (2) et (3) ne s'appliquaient pas à la Banque;

b) un renvoi à son paragraphe (3) était un renvoi au paragraphe (1) du présent article.

GENERAL

DISPOSITIONS GÉNÉRALES

Change of name

11. On application therefor by the Bank without a special resolution, the Minister may, with the approval of the Governor in Council, approve a proposal to change the name of the Bank.

Changement de dénomination sociale

11. Le ministre peut, avec l'autorisation du gouverneur en conseil, permettre à la Banque de changer sa dénomination sociale si elle lui en présente la demande sans y être autorisée par une résolution spéciale.

Liability limited

12. Neither Her Majesty in right of Canada nor the Corporation nor any person acting on behalf of Her Majesty or the Corporation is liable to any person for anything in good faith done or omitted to be done under this Act.

Non-responsabilité

12. Ni Sa Majesté du chef du Canada ni la Société ou une personne agissant en leur nom ne sont responsables envers qui que ce soit en raison de leurs actes ou omissions accomplis de bonne foi sous le régime de la présente loi.

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APPENDIX "C"

SALE AGREEMENT

THIS AGREEMENT made the 27th day of November, 1986.

BETWEEN:

BANK OF BRITISH COLUMBIA, one of the chartered banks of Canada, (herein called the "Vendor")

OF THE FIRST PART

AND:

HONGKONG BANK OF CANADA, one of the chartered banks of Canada, (herein called the "Purchaser")

OF THE SECOND PART

WHEREAS:

A. The Vendor and the Purchaser each carry on the business of banking under the Act;

B. The Vendor and the Purchaser have concluded that the business of the Vendor should be transferred to the Purchaser and that this can most effectively be done as part of a winding-up of the Vendor;

C. The Minister of Finance has approved in writing the making of such an agreement by the Vendor and Purchaser;

D. Parliament has enacted the legislation to enable this transaction to proceed (herein called the "Enabling Act");

E. The shareholder of the Purchaser has approved the acquisition and assumption by the Purchaser of the Purchased Assets and Assumed Liabilities;

F. All requisite governmental approvals for the transactions described in this Agreement have been obtained other than the Governor in Council Approval;

G. In accordance with the foregoing, the Vendor proposes to sell its undertaking and substantially all of its property and assets to the Purchaser as a going concern, and the Purchaser proposes to purchase such undertaking, property and assets in accordance with the Act and the Enabling Act;

NOW THEREFORE in consideration of the premises and the agreements hereinafter contained, the parties hereto hereby covenant and agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and Exhibits and Memoranda, the following terms shall have the following respective meanings:

(a) "Act" means the Bank Act (Canada);

(b) "Adjusted Draft Statement" means the statement based on the Draft Statement adjusted by the Purchaser and attached as Exhibit 7;

(c) "Adjustment Date" means December 1, 1986 and "Adjustment Time" means 12:01 a.m. Vancouver time on the Adjustment Date;

(d) "Agreement" means this Agreement as the same may be amended from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby", and similar expressions refer to this Agreement;

(e) "Assumed Liabilities" shall have the meaning attributed thereto in Section 3.1;

(f) "Available Amount" means the portion, if any, of the balance referred to in section 4.2(b) which is released to the Vendor in accordance with the Enabling Act in excess of $5,000,000;

(g) "Business Day" means any day on which the Purchaser is open for banking business in the Province of British Columbia;

(h) "Cash Purchase Price" means the amount payable pursuant to Section 4.2(b);

(i) "Closing" means the formal completion of the purchase and sale of the Purchased Assets hereunder by the transfer and delivery of certain documents of title thereto;

(j) "Closing Date" means the date of Governor in Council Approval;

(k) "Deposit Bank" means the Canadian chartered bank designated by the Vendor and Canada Deposit Insurance Corporation;

(l) "Draft Statement" means the draft unaudited consolidated financial statements of the Vendor as at October 31, 1986 attached as Exhibit 6;

(m) "Enabling Act" has the meaning set out in Recital D hereto;

(n) "Escrow Agreement" means the agreement attached as Exhibit 5;

(o) "Escrow Amount" shall have the meaning attributed thereto in the Escrow Agreement;

(p) "Excluded Loans" means the loans described in Memorandum 6;

(q) "Governor in Council Approval" means the approval of this Agreement by the Governor in Council pursuant to the Enabling Act;

(r) "Head Office Land" means the real property described in Memorandum 3;

(s) "Head Office Lease" means rights and obligations of the Vendor to lease branch and head office premises situate in the building located on the Head Office Land;

(t) "HSBC" means The Hongkong and Shanghai Banking Corporation, a bank established under the laws of Hong Kong;

(u) "Non-Transferable Asset" means any asset comprising part of the Purchased Assets where the consent or, in the case of a guarantee, a confirmation or renewal thereof from a third party is required in order to sell or transfer such asset to the Purchaser or to permit the Purchaser to use, enjoy and dispose of such asset or, in the case of a guarantee, to rely upon it for future advances to the same extent as the Vendor is now entitled to use, enjoy and dispose of or rely upon the same;

(v) "Pension Plan" means the Vendor's pension plan;

(w) "Person" means any individual, partnership, company, corporation, unincorporated association, trust, government or government agency, authority or entity howsoever designated or constituted;

(x) "Post-Closing Statement" means the statement prepared by the Purchaser pursuant to Section 5.3 hereof;

(y) "Purchase Price" means the amount calculated in accordance with the provisions of Section 4.1;

(z) "Purchased Assets" shall have the meaning attributed thereto in Section 2.1;

(aa) "Purchaser's Auditors" means the firm of Peat, Marwick, Mitchell & Co. or such other firm of auditors as the Purchaser may appoint for the purpose of this Agreement and the matters contemplated hereby;

(bb) "Purchaser's Counsel" means the firm of Ladner Downs or such other counsel as the Purchaser may appoint for the purpose of this Agreement and the matters contemplated hereby;

(cc) ''Retained Assets'' means the property and assets of the Vendor that are described in Exhibit 4;

(dd) ''Retained Liabilities'' shall have the meaning attributed thereto in Section 3.2;

(ee) ''Review Period'' shall have the meaning attributed thereto in Section 5.3;

(ff) ''Time of Closing'' means 3:00 p.m. Vancouver time, on the Closing Date or such other time as the parties mutually agree;

(gg) ''Vendor's Auditors'' means Thorne, Ernst & Whinney or such other firm of auditors as the Vendor may appoint for the purpose of the Agreement and the matter contemplated hereby;

(hh) ''Vendor's Domestic Subsidiary'' means any one of the following:
TQX Realty Holdings Ltd.
23251 Alberta Ltd.
BBC Investments Ltd.,
BBC Realty Investments Limited,
BBC Realty Ltd.,
Westbank Leasing Limited,
Bank of British Columbia Mortgage Corporation,
Bank of British Columbia Financial Services Corporation,
HKM Holdings Ltd.
and ''Vendor's Domestic Subsidiaries'' means all such corporations;

(ii) ''Vendor's Foreign Subsidiary'' means any one of the following:
Bank of British Columbia Financial Corp. (H.K.) Limited,
Bank of British Columbia (International) Limited
and ''Vendor's Foreign Subsidiaries'' means all such corporations;

(jj) ''Vendor's Subsidiary'' means any one of the Vendor's Domestic Subsidiaries or the Vendor's Foreign Subsidiaries and ''Vendor's Subsidiaries'' means collectively the Vendor's Domestic Subsidiaries and the Vendor's Foreign Subsidiaries;

(kk) ''Vendor's Counsel'' means the firms of Tory Tory DesLauriers & Binnington and Russell & DuMoulin or such other counsel as the Vendor may appoint for the purpose of this Agreement and the matters contemplated hereby;

(ll) ''Employee Benefits Plans'' means:

(1) the Bank of British Columbia Health and Welfare Trust constituted by a Trust Agreement dated 1st January 1986 and made between the Vendor (1) and John Thores, Grant Spitz and Tim Dillon as Trustees (2);

(2) the Registered Retirement Savings Plan constituted by an agreement dated 1st January 1986 made between the Vendor (1) and Canada Trust Company (2);

(3) the Employee Benefit Plan constituted by an agreement dated 16 December 1985 and made between the Vendor (1) and Yorkshire Trust Company (2);

(4) the Bank of British Columbia Dental Trust; and

(5) the Bank of British Columbia Travel Accident Policy.

1.2 Divisions, Headings and Index

The division of this Agreement into articles, sections and exhibits and memoranda and the insertion of headings and any index provided are for convenience of reference only and shall not affect the construction or interpretation hereof.

1.3 Gender and Number

Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.4 Proper Law of Agreement

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

1.5 Invalidity of Provisions

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof and any such invalid or unenforceable provision shall be deemed to be severable.

1.6 Amendment of Agreement

No amendment, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

1.7 Successors and Assigns

This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors but this Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party.

1.8 Currency

All amounts herein are stated in Canadian currency except as otherwise indicated.

1.9 Description of Exhibits

The following are the exhibits to this Agreement:
Exhibit 1 — Form of Post-Closing Statement (Section 1.1(g) and 5.3)
Exhibit 2 — Form of Report of Purchaser's Auditors on the Post-Closing Statement (Section 5.3)
Exhibit 3 — Form of Post-Closing Agreement (Section 10.6)
Exhibit 4 — Description of Retained Assets (Section 2.2)
Exhibit 5 — Form of Escrow Agreement (Section 5.3)
Exhibit 6 — Draft Statement
Exhibit 7 — Adjusted Draft Statement

1.10 Description of Memoranda

The following are memoranda initialled by the parties for reference in connection with this Agreement:
Memorandum 1 — Description of Litigation (Sections 3.2(d) and 6.1(m))
Memorandum 2 — Description of Leases (Section 6.1(s) and 9.2(a))
Memorandum 3 — Description of Head Office Land
Memorandum 4 — Description of Asset Write Down
Memorandum 5 — Description of Real Property (Section 6.1(s)
Memorandum 6 — Description of Excluded Loans (Section 1.1(p))
Memorandum 7 — Description of Letters of Guarantee (Section 3.2(i))
Memorandum 8 — Arbitration procedure.

ARTICLE 2

PURCHASE OF ASSETS

2.1 Purchased Assets

Upon and by virtue of Governor in Council Approval being given the Vendor shall sell and the Purchaser shall purchase on the Closing Date, as a going concern, all of the cash, deposits, prepaid expenses, business, undertaking, property and assets, real and personal, moveable and immoveable, tangible or intangible of the Vendor, including:

(a) the shares of the Vendor's Domestic Subsidiaries,

(b) as trustee for HSBC or such other person or persons HSBC may direct other than the Purchaser, but not as beneficial owner, the shares of the Vendor's Foreign Subsidiaries,

and the benefit of all contractual rights and rights by way of security, other than the Retained Assets (herein collectively called the "Purchased Assets" which, for greater certainty, shall include Non-Transferable Assets).

2.2 Retained Assets

The Purchaser shall not purchase from the Vendor any of the Retained Assets more particularly described in Exhibit 4.

ARTICLE 3

ASSUMPTION OF LIABILITIES

3.1 Assumed Liabilities

Upon and by virtue of Governor in Council Approval, the Purchaser shall assume and become liable instead of the Vendor to discharge all of the obligations and liabilities, actual, contingent or otherwise of the Vendor on the Closing Date except for the Retained Liabilities. The obligations and liabilities to be so assumed by the Purchaser are hereinafter collectively called the "Assumed Liabilities" and, without limiting the generality of the foregoing, shall include:

(a) indebtedness to the Bank of Canada;

(b) deposit liabilities;

(c) subordinated debentures and other funded obligations of the Vendor;

(d) bankers' acceptances;

(e) customer guarantees and letters of credit;

(f) cheques and other items in transit, net;

(g) the guarantees by the Vendor of the indebtedness of the Vendor's Subsidiaries;

(h) the leases referred to in Memorandum 2 and related agreements;

(i) accrued interest payable;

(j) trade accounts payable;

(k) subject to Section 10.3 and Section 3.2(g), employment contracts, Pension Plan, Employee Benefit Plans and any other similar plans or arrangements; and

(l) other liabilities agreed to be assumed including, notwithstanding any other provision of this Agreement, any other liabilities reflected as Assumed Liabilities in the Post-Closing Statement.

3.2 Retained Liabilities

The Purchaser shall not assume or become liable to discharge any of the Vendor's obligations and liabilities hereinafter set forth in this Section 3.2, and the Vendor shall remain liable to discharge all such obligations and liabilities not so assumed (the whole being hereinafter collectively called the "Retained Liabilities"):

(a) liabilities related to Retained Assets including without limiting the generality of the foregoing all expenses in connection with the Head Office Lease and Head Office Land whether with respect to rent or leasehold improvements;

(b) any indebtedness or liability of the Vendor for any income or corporation taxes, assessments or levies including, without limitation, deferred income taxes, whether or not related to the purchase and sale contemplated hereby except for the portion of the following amounts appearing in the Draft Statement that relate to the Vendor or the Vendor's Subsidiaries:

Corporation capital tax	$1,258,198
Income taxes payable	3,613
Withholding tax	142,683;

(c) except as included under Other Liabilities in the Adjusted Draft Statement, any indebtedness or liability incurred by the Vendor and not reflected in the Adjusted Draft Statement arising out of any matter or transaction which was not in the conduct of the banking business of the Vendor on a going concern basis including, without limitation, any indebtedness or liability arising out of any agreement, covenant or undertaking given by the Vendor in connection with the sale by the Vendor to any Person of any Retained Asset;

(d) any indebtedness or liability incurred by the Vendor arising out of any action, suit, litigation, arbitration or proceeding in progress, pending or threatened against the Vendor including the litigation described in Memorandum 1;

(e) all claims of shareholders with respect to capital stock of the Vendor;

(f) all liabilities for unpaid dividends on capital stock of the Vendor declared or accrued prior to the Closing Date;

(g) all liabilities to the Chairman of the Board of the Vendor;

(h) any guarantee of any indebtedness or liability of REIT Properties Ltd.; and

(i) any liability under letters of guarantee referred to in Memorandum 7;

3.3 Repayment of Funded Obligations

Notwithstanding the provisions of Section 3.1(c), the Purchaser retains the right to pay on the Closing Date to the trustees under the trust indentures for any subordinated debentures or other funded obligations of the Vendor which may be redeemed on the Closing Date, such amounts as are required to discharge any such debentures or funded obligations. Any amounts (including without limitation, accrued interest after the Closing Date, premiums and trustees fees and disbursements) required to be paid to discharge such debentures or funded obligations over and above the amount shown on the Draft Statement, shall be for the account of the Purchaser and shall be paid by the Purchaser to the party to whom it is payable.

3.4 Repayment of Bank of Canada Indebtedness

On the Closing Date, the Purchaser shall repay all of the outstanding indebtedness of the Vendor to the Bank of Canada.

ARTICLE 4

PURCHASE PRICE

4.1 Calculation of Purchase Price

The Purchase Price shall be the amount at which the Purchased Assets are shown on the Adjusted Draft Statement less any amount determined in accordance with Section 5.3(d).

4.2 Satisfaction of Purchase Price

The Purchase Price shall be satisfied as follows:

(a) by assumption or payment by the Purchaser of the Assumed Liabilities as shown on the Adjusted Draft Statement; and

(b) as to the balance of $63,535,000 by bank draft at par delivered on the Closing Date at Vancouver, British Columbia, to the Deposit Bank on behalf of the Vendor in accordance with the Enabling Act.

4.3 Allocation of Purchase Price

The Purchase Price shall be allocated among the Purchased Assets in accordance with the Adjusted Draft Statement unless the Purchase Price is decreased in which case in accordance with the Post-Closing Statement.

ARTICLE 5

THE DRAFT STATEMENT, ADJUSTED DRAFT STATEMENT AND THE POST-CLOSING STATEMENT

5.1 Draft Statement of the Vendor

The Draft Statement has been prepared by the Vendor and is a draft unaudited consolidated financial statement of the Vendor as at October 31, 1986 prepared in compliance with section 216 of the Act and generally accepted accounting principles as modified by the rules, regulations and guidelines issued by the Office of the Inspector General of Banks on a basis consistent with the Vendor's prior financial year. The Purchaser's Auditors shall have full and complete access to the working papers and related documents of the Vendor and the Vendor's Auditors and shall be entitled to discuss with the Vendor's Auditors and the officers and employees of the Vendor, any matters pertaining to the preparation of the Draft Statement.

5.2 Adjusted Draft Statement

The Purchaser has prepared the Adjusted Draft Statement by adjusting the entries on the Draft Statement to reflect the write down of assets described in Memorandum 4 and the deletion of the entries relating to the Retained Assets and the Retained Liabilities.

5.3 Post-Closing Statement

The Purchaser shall prepare a draft Post-Closing Statement of the Purchased Assets and the Assumed Liabilities as at the Adjustment Time as soon as feasible thereafter. The Post-Closing Statement shall be substantially in the form attached as Exhibit 1 and shall be prepared in accordance with the generally accepted accounting principles as modified by the rules, regulations and guidelines issued by the Office of the Inspector General of Banks and on a going concern basis consistent with the Draft Statement, but adjusted to reflect the adjustments made to the Draft Statement as evidenced in the Adjusted Draft Statement including without limiting the generality of the foregoing:

(a) the recording of the write down in the assets of the Vendor as described in Memorandum 4

(b) the deletion of the Retained Assets and the Retained Liabilities;

and neither party, nor the Vendor's Auditors nor the Purchaser's Auditors shall contend that such provision and values are more or less than adequate.

If:

(c) the Post-Closing Statement discloses that the amount of the Purchased Assets exceeds the amount of the Assumed Liabilities by $62,535,000 or more then the Purchase Price shall not be adjusted; or

(d) the Post-Closing Statement discloses that the amount of the Purchased Assets does not exceed the amount of the Assumed Liabilities by at least $62,535,000, then the Purchase Price shall be reduced by the difference between the Cash Purchase Price and the amount calculated as the ''Cash Portion of the Purchase Price'' in the Post-Closing Statement and the Purchaser shall deliver the draft Post-Closing Statement to the Vendor accompanied by a draft report of the Purchaser's Auditors in the form of Exhibit 2 attached hereto as soon as possible, together with a letter from the Purchaser's Auditors to the effect that they are prepared to sign such report upon resolution of any objections raised by the Vendor as hereinafter contemplated.

During the course of preparation of the draft Post-Closing Statement, and during the period (herein called the ''Review Period'') of 10 days (or such longer period as the parties hereto may agree in writing) following the date of delivery of the draft Post-Closing Statement by the Purchaser to the Vendor, the Vendor and the Vendor's Auditors shall have full and complete access to the working papers and related documents of the Purchaser's Auditors and shall be entitled to discuss with the Purchaser's Auditors and the officers and employees of the Purchaser, any matter pertaining to the preparation of the draft Post-Closing Statement. During the Review Period, the Vendor shall be entitled to object to the amount at which any item is shown on or reflected in the draft Post-Closing Statement (other than those items referred to in subparagraph (a) in the first paragraph of this section). The Vendor and Purchaser shall attempt to resolve any permitted objections and to agree on acceptable revisions to the draft Post-Closing Statement prior to the expiry of the Review Period and the Purchaser shall deliver a revised draft Post-Closing Statement reflecting any agreed revisions, accompanied by a draft report of the Purchaser's Auditors in the form of Exhibit 2. If any such objections have not been so resolved by the end of the Review Period, the Vendor may, by written notice to the Purchaser delivered on the last day of the Review Period, elect to have the matters in dispute submitted to and settled by arbitration in accordance with the provisions of the arbitration memorandum initialled by the parties for identification. The parties agree that no matter shall be referred to arbitration unless it is material.

Any such written notice shall specify the amount which the Vendor disputes. Any matter relating to the draft Post-Closing Statement (other than the items referred to in sub-paragraph (a) of the first paragraph of this section 5.3) which affects the Purchase Price may be submitted to arbitration including, without limitation:

(e) the amount at which any asset or liability should be shown or reflected in the draft Post-Closing Statement; or

(f) any question as to whether any asset or liability should be shown or reflected in the draft Post-Closing Statement; or

(g) any question as to the accounting rules or principles applicable to the determination of any amount shown or reflected in the draft Post-Closing Statement.

If, on the fifth Business Day after the end of the Review Period, the Vendor has not commenced the arbitration proceeding by delivering a Complaint (as defined in the arbitration memorandum), the draft Post-Closing Statement, including such revisions, if any, as have been agreed to by the Vendor and Purchaser, shall be deemed to be the Post-Closing Statement and the Purchaser shall deliver to the Vendor a signed report of the Purchaser's Auditors in the form of Exhibit 2 attached hereto. If any matters have been submitted to arbitration, upon final resolution of those matters, the Purchaser shall prepare and deliver to the Vendor, within five (5) Business Days of the arbitrator's decision being rendered, the Post-Closing Statement reflecting the final results of such decision, together with the signed report of the Purchaser's Auditors in the form of Exhibit 2.

5.4 Purchase Price Repayment

Following delivery to the Vendor of the Post-Closing Statement, the Purchaser shall be entitled to repayment of the amount determined in accordance with Section 5.3(d). An officer of the Purchaser shall execute and deliver to

the Deposit Bank the statutory declaration referred to in the Escrow Agreement and the repayment shall be paid to the Purchaser by the Deposit Bank in accordance with the provisions of the Escrow Agreement.

5.5 Retained Assets and Retained Liabilities Adjustment

The Vendor and the Purchaser shall adjust between them any amounts received or paid by the Vendor on account of the Retained Assets or the Retained Liabilities between October 31, 1986 and the Adjustment Date. The intent of this provision is that the Vendor shall have the benefit of all cash receipts and the Purchaser shall be reimbursed for all cash outgoings during such period relating to the Retained Assets and the Retained Liabilities. The amount of the adjustment shall be calculated by the Purchaser and set out in a certificate of an officer of the Purchaser which certificate shall be delivered within 20 days of the Adjustment Date and shall be paid by the party required to make payment within 5 days of receipt of the certificate. In the event of a dispute between the parties with respect to this section either party may have recourse to the arbitration procedure set forth in Memorandum 8.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 By the Vendor

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying upon such representations and warranties in connection with its purchase of the Purchased Assets and its assumption of the Assumed Liabilities:

(a) INCORPORATION. The Vendor is duly incorporated and organized and is validly subsisting as a chartered bank under the Act and each Vendor's Subsidiary is duly incorporated and organized and is a valid and subsisting corporation under the laws of the jurisdiction in which it was incorporated;

(b) CORPORATE POWER. The Vendor and each Vendor's Subsidiary have the corporate power to own or lease its properties and assets; the Vendor has the corporate power to carry on its business but, following the date of the Governor in Council Approval, only in the course of winding-up; the Vendor has the full corporate power to enter into this Agreement and to sell the Purchased Assets as contemplated hereby;

(c) STATUS. The Vendor and each Vendor's Subsidiary is in good standing with respect to the filing of annual reports in each jurisdiction in which the nature of its business or the properties and assets owned or leased by it makes qualification necessary and each has all the powers, licences, franchises and permits which it requires to own its properties and assets and to carry on its business;

(d) AUTHORITY RELATIVE TO THIS AGREEMENT. The entering into, execution and delivery of this Agreement by the Vendor has been duly authorized by the directors of the Vendor;

(e) NO RIGHTS TO PURCHASED ASSETS. No Person, other than the Purchaser pursuant to this Agreement, has any right or agreement to acquire any of the Purchased Assets;

(f) RIGHT TO SELL. Subject to the provisions of Section 9.4 hereof, neither this Agreement nor the sale of any of the Purchased Assets nor the assumption of the Assumed Liabilities hereunder will contravene, breach or result in any material default under the charter or the by-laws of the Vendor or of any of the Vendor's Subsidiaries or under any indenture, mortgage, security agreement, lease, agreement, licence or permit to which the Vendor or any of the Vendor's Subsidiaries is a party or by which any of their property and assets is bound, except that consents to assignments must first be obtained where required from the appropriate Person or under any law (statutory or otherwise), rule, regulation, order, judgment or decree applicable to the Vendor or any of the Vendor's Subsidiaries;

(g) CHANGES SINCE OCTOBER 31, 1986. Except as disclosed to the Purchaser in writing, neither the Vendor nor any of the Vendor's Subsidiaries has, since October 31, 1986, entered into any contract, commitment or transaction other than in the ordinary course of business and, since that date:

  (i) the business of the Vendor has generated an operating profit excluding provisions for loan losses and consumer loans more than 90 days in arrears;

(ii) there has not been any increase in the compensation or other benefits payable or to become payable by the Vendor or any Vendor's Subsidiary to any of its directors, officers or employees, or any increase in the benefits provided to any such person under the Pension Plan or the Employee Benefit Plans or any other employee benefit plans or arrangements, other than routine adjustments consistent with the prior practices of the Vendor except for certain bonuses to senior employees aggregating not more than $200,000;

(h) EMPLOYEES, CONTRACTS OR COMMITMENTS. Except as previously disclosed to the Purchaser in writing, neither the Vendor nor any Vendor's Subsidiary is now a party to:

(i) any continuing contract or commitment for the purchase or lease of materials, supplies, equipment or services or any contract relating to participation in a credit card/ATM network other than in the ordinary course of business;

(ii) any written contract or commitment for the employment of any officer, employee or agent;

(iii) any other contract or arrangement, express or implied with any officer or employee which would require more than six months notice of termination of such employment;

(iv) any contract with or commitment to any labour union or employee association; or

(v) any bonus, pension, profit sharing, deferred compensation retirement, hospitalization, insurance of similar plan or practice, formal or informal, with respect to its employees or others;
nor has the Vendor or any Vendor's Subsidiary conducted negotiations with respect to any contract or commitment of the nature referred to in clause (iv) above nor are there any current attempts known to the senior officers of the Vendor to organize or establish any labour union or employee association with respect to the Vendor or any Vendor's Subsidiary;

(i) NO DEFAULT. Neither the Vendor nor any Vendor's Subsidiary is in default or in breach in any material respect of any provision of this Agreement or of any other contract, agreement, trust deed, lease, indenture, mortgage, security agreement, licence, permit or other instrument of a material nature relating to the Purchased Assets or the Assumed Liabilities to which it is a party or by which it or any of its properties or assets may be bound, and there exists no state of facts which, after notice or lapse of time or both, would constitute such a default or breach;

(j) TITLE TO PROPERTIES AND ASSETS. All the Purchased Assets are owned by the Vendor and all the assets of each of the Vendor's Subsidiaries are owned by such Vendor's Subsidiaries, in each such case with good and marketable title, free and clear of all mortgages, liens, pledges, charges, security interests, title retention agreements, encumbrances, claims or demands of any nature or kind whatsoever except as reflected in the Draft Statement and are freely assignable to the Purchaser except as provided herein;

(k) ZONING, RESTRICTIONS AND ENCROACHMENTS. The buildings and other structures located on each parcel of real or immovable property owned or leased by the Vendor or any Vendor's Subsidiary included in the Purchased Assets and the operation and maintenance thereof as now operated and maintained, comply in all material respects with all applicable laws and regulations, municipal or otherwise; none of such buildings or other structures encroaches upon any real or immovable property not owned by the Vendor or one of the Vendor's Subsidiaries and there are no restrictive covenants, municipal by-laws or other laws or regulations which in any way materially restrict or prohibit the use of any such real or immovable property, buildings or structures for the purposes for which they are presently being used. This warranty only applies to bank premises;

(l) ASSETS IN GOOD CONDITION. All buildings, structures and all material machinery and equipment included in the Purchased Assets and the assets of the Vendor's Subsidiaries are in good operating condition and in a state of reasonable maintenance and repair;

(m) LITIGATION. There is no action, suit, litigation, arbitration or proceeding in progress, pending or threatened against or relating to the Vendor or any of the Vendor's Subsidiaries and affecting or likely to affect any of the Purchased Assets or the Assumed Liabilities except as described in Memorandum 1 of a material nature and there is no circumstance, matter or thing known to the Vendor which might give rise to any such proceeding relative to the Vendor or any Vendor's Subsidiary or its or their properties or business

and there is not outstanding against the Vendor or any Vendor's Subsidiary any judgment, decree, injunction, rule or order of a material nature of or by any court, arbitrator, government department, commission, board, bureau or agency and there is no claim that may result in any person obtaining rights against the Purchased Assets in priority to the rights of the Purchaser;

(n) INSURANCE. The properties and assets of the Vendor and of each Vendor's Subsidiary are insured on a replacement cost basis with responsible insurers against such risks as are usual for prudent owners of comparable properties and assets engaged in similar businesses and the Vendor has taken out adequate Banker's Blanket Bond Insurance in accordance with reasonable banking practice. Neither the Vendor nor any Vendor's Subsidiary is in breach of or in default under the provisions of any such policy of insurance or has failed to give any notice or pay any premium or present any claim under any such insurance policy;

(o) MATERIAL FACTS. The Vendor and its management have supplied to the Purchaser all information known to it necessary to enable the Purchaser to make an informed assessment of the business, assets and liabilities of the Vendor and the Vendor's Subsidiaries;

(p) INDUSTRIAL OR INTELLECTUAL PROPERTY. The trade names, trade marks, patents, designs, copyrights and other industrial or intellectual property used in whole or in part in, or required for the proper carrying on of, the business of the Vendor and each Vendor's Subsidiary are validly and beneficially owned by the Vendor or such Vendor's Subsidiary, as the case may be, with the sole and exclusive right to use the same and are in good standing and duly registered in all appropriate offices in Canada to preserve the rights thereof and thereto and the conduct of such business does not infringe upon any trade name, trade mark, patent, design, copyright or other industrial or intellectual property of any other Person;

(q) RESIDENT OF CANADA. The Vendor is a resident of Canada for the purposes of the Income Tax Act (Canada);

(r) LEASES. Neither the Vendor nor any Vendor's Subsidiary is a party to any lease or agreement in the nature of a lease, whether as lessee or as lessor, of real property, except for the leases described in Memorandum 2, the Head Office Lease and the lease of the Head Office Land, all of which are in good standing and in full force and effect except for branch leases listed in Part D of Memorandum 2; neither the Vendor nor any Vendor's Subsidiary nor any landlord or tenant under any such lease in good standing and in full force and effect is in breach in any material respect of any of the covenants, conditions or agreements contained in any such lease and the entering into of this Agreement will not give any landlord the right to terminate a lease;

(s) REAL PROPERTY. Neither the Vendor nor any Vendor's Subsidiary owns or has any interest in or is a party to any agreement to purchase any real property, except the interest of BBC Realty Ltd. as vendor under certain agreements for sale of real property to employees of the Vendor and Vendor's Subsidiaries and the Head Office Lease or as described in Memoranda 2, 3 and 5;

(t) COMPLIANCE WITH APPLICABLE LAWS. The Vendor and each Vendor's Subsidiary has conducted and is conducting its business in compliance, in all material respects, with all applicable laws, rules and regulations of each jurisdiction in which such business is carried on and is not in breach of any such laws, rules or regulations, except for breaches which in the aggregate are immaterial;

(u) VACATION PAY. Employees of the Vendor and each Vendor's Subsidiary receive vacations rather than vacation pay and no accrued vacation liability is reflected in the Draft Statement except following termination of employment, and the Draft Statement reflects, as liabilities, only amounts owing with respect to vacation pay consequent upon termination of employment. All amounts owing with respect to bonuses, commissions and other employee benefit payments owing on the Closing Date will also be reflected as liabilities on the Post-Closing Statement;

(v) PENSION PLAN.

(i) The text of the Pension Plan and of the trust agreement therefor as delivered to the Purchaser, are true and complete copies thereof and the Vendor shall not make any amendments thereto without the prior written consent of the Purchaser;

(ii) The Pension Plan is duly registered under the provisions of the Income Tax Act (Canada) and the Pension Benefits Standards Act (Canada);

(iii) All material reports and disclosures relating to the Pension Plan required by this Agreement and any applicable laws or regulations have been filed or distributed;

(iv) All material Vendor obligations (including fiduciary and funding obligations) required to be performed in connection with the Pension Plan, have been performed by the Vendor;

(v) The data with respect to the Pension Plan provided to the Purchaser is complete and accurate in all material respects; and

(vi) To the best of the knowledge of the senior officers of the Vendor, no withdrawals of assets, including cash, have been made from the assets from time to time held in trust for the Pension Plan since the establishment of the Pension Plan, except for the purpose of paying or arranging for the payment of benefits in accordance therewith;

(w) LOAN DOCUMENTS. In respect of the loan portfolio of the Vendor included in the Purchased Assets, each of the borrowers has the authority to borrow in accordance with the terms of the loan, any promissory note furnished by a borrower has been properly executed and delivered, where a security or guarantee is required by the terms of the transaction, such security or guarantee has been properly executed and delivered and any registration or filing reasonably required to protect such security has been made (or, in the exercise of business judgment, not made) and, where necessary, has been renewed. The Purchaser shall promptly notify the Vendor in writing of any matter of which it becomes aware which would make this representation and warranty incorrect and the Vendor shall not be accountable to the Purchaser hereunder if such matter is rectified prior to the 45th day following the Closing Date;

(x) CORRECT ON CLOSING DATE. The representations and warranties of the Vendor contained in this Article 6 will be true and correct on and as of the Closing Date with the same effect as if made on and as of such date;

(y) EMPLOYEE BENEFITS PLAN.

(i) The text of the Employee Benefits Plans and of the agreements constituting the same as delivered to the Purchaser are true and complete copies thereof and the Vendor shall not make any amendments thereto without the prior written consent of the Purchaser;

(ii) The Employee Benefits Plans have been established and comply and are administered in accordance with all relevant applicable laws;

(iii) All material reports and disclosures relating to the Employee Benefits Plans required by virtue of this Agreement or any applicable laws or regulations have been filed or distributed;

(iv) All material Vendor obligations (including fiduciary and funding obligations) required to be performed in connection with the Employee Benefits Plans have been performed by the Vendor;

(v) The data with respect to the Employee Benefits Plans provided to the Purchaser is complete and accurate in all material respects;

(vi) To the best of the knowledge of the officers of the Vendor, no withdrawals have been made from any of the Employee Benefits Plans except strictly in accordance with the terms thereof; and

(vii) there are no employee benefits plans other than the Employee Benefits Plans.

6.2 **By the Purchaser**

The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying upon such representations and warranties in connection with its sale of the Purchased Assets:

(a) INCORPORATION AND POWER. The Purchaser is duly incorporated and organized and is validly subsisting as a chartered bank under the Act and has full corporate power to purchase and own the Purchased Assets, to assume the Assumed Liabilities and to enter into, execute and deliver this Agreement; and

(b) AUTHORITY RELATIVE TO THIS AGREEMENT. The entering into and the execution and delivery of this Agreement by the Purchaser has been duly authorized by the directors and shareholder of the Purchaser.

6.3 Effect of Breach of Representation or Warranty

Subject to Section 6.4 hereof, notwithstanding anything herein contained or any rule of law to the contrary, the Purchaser and the Vendor agree that any breach of any representation or warranty contained in this Article 6 or failure or inability to deliver a document provided for in Section 9.2 or Section 9.3 shall give rise only to a claim for damages. It is agreed that there shall be no claim against the Vendor under this section in respect of a breach of the representations and warranties contained in Article 6 which occurred after the Closing Date and which arises from any action which has been approved by the Purchaser in accordance with Section 7.2(b).

6.4 Survival of Representations and Warranties

The representations and warranties contained in this Article 6 or in any certificate or document delivered pursuant to Sections 9.2 or 9.3, shall survive the Closing for a period of 60 days and notice of any claim (conforming with Section 6.3) for any alleged breach of any such representation or warranty shall be given by the party claiming such breach to the other party within such period of 60 days.

6.5 Limitations

The liability of the Vendor with respect to any rights of the Purchaser arising under section 6.3 shall be subject to the following limits:

(a) the Vendor shall not be subject to any liability under section 6.3 unless the aggregate amount of the Vendor's liability under that section is in excess of $3,000,000;

(b) any claims asserted by the Purchaser under section 6.3,

  (i) shall not be payable until the Available Amount has been released in accordance with the Enabling Act;

  (ii) shall not, cumulatively, obligate the Vendor to make payments to the Purchaser after aggregate payments reach an amount equal to the Available Amount but this provision shall restrict the liability of the Vendor only by an amount equal to the excess of the Cash Purchase Price over the Available Amount.

ARTICLE 7

MATTERS PRIOR TO APPROVAL

7.1 Investigation

Up to and including the Closing Date, the Vendor shall give to the Purchaser and to its duly authorized representatives, including the Purchaser's Auditors and the Purchaser's Counsel, during normal business hours and at such other times as may be reasonably required, full access to all the properties and assets, books, contracts, commitments and records of the Vendor and of each Vendor's Subsidiary and shall furnish to them all such information relating to the undertaking, business, affairs, properties and assets of the Vendor and each Vendor's Subsidiary as the Purchaser may reasonably require.

7.2 Ordinary Course of Business

(a) Up to the Closing Date, the Vendor shall use its best endeavours to promote the interests and maintain the goodwill of the Vendor and each Vendor's Subsidiary.

(b) Up to the Closing Date, the Vendor shall use its best efforts to operate its business and the businesses of the Vendor's Subsidiaries in the ordinary course and shall not, without the prior written consent of the Purchaser, enter into or permit any Vendor's Subsidiary to enter into any contract, commitment or transaction other than:

  (i) in the ordinary course of its business and in any event not exceeding $5,000,000, or

  (ii) in value or a transaction relating to the disposal of Retained Assets.

7.3 Insurance

Until the Closing Date, the Vendor shall maintain or cause to be maintained in full force and effect all policies and contracts of insurance which are now in effect (or renewals thereof) under which it and each Vendor's Subsidiary and/or their respective properties are insured. The Vendor shall, at the request and expense of the Purchaser:

(a) place such additional insurance on any such insurable assets and/or place such additional public liability or other insurance as the Purchaser may reasonably request;

(b) assign all assignable insurance policies to the Purchaser; and

(c) transfer to the Purchaser all rights to premium refunds with respect to non-assignable insurance policies.

7.4 Risk of Loss

Up to the Closing Date, the Purchased Assets shall be and remain at the risk of the Vendor.

7.5 Indemnification

The Vendor acknowledges that the Purchaser has agreed to the inclusion of the shares of BBC Realty Ltd. as part of the Purchased Assets on the basis that, after the transfers, the Vendor will provide full indemnification (including legal fees and related expenses) against the cost involved in certain litigation relating to premises in Cranbrook. The Vendor and the Purchaser will work together forthwith after the Closing to develop an appropriate indemnification procedure including a pledge, letter of credit or other suitable security whereby the Purchaser will be fully protected.

ARTICLE 8

EFFECTIVENESS AND POSSESSION

8.1 In accordance with the Enabling Act, this Agreement has no force or effect until Governor in Council Approval is obtained. In the event that Governor in Council Approval is not obtained on or before December 3, 1986, either party may give notice terminating this Agreement. This Agreement shall be terminated accordingly and both the Vendor and the Purchaser shall be released from all their respective obligations hereunder and shall have no liability to each other.

8.2 It is acknowledged and agreed by the parties hereto that, as provided in the Enabling Act, upon Governor in Council Approval, the Purchased Assets vest in the Purchaser and the Purchaser becomes liable for the Assumed Liabilities as at the Closing Date. On the Closing Date, the Purchaser shall assume possession and control of the Purchased Assets and, subject to Section 10.3, shall be liable for the Assumed Liabilities. On the Closing Date, the Vendor shall forthwith deliver to the Purchaser possession of all premises included in the Purchased Assets and all documents of title, books, records, lists of suppliers and customers and other documents, files and data relating to the Purchased Assets and the Assumed Liabilities and the Vendor's business.

ARTICLE 9

CLOSING

9.1 Closing

The Closing shall take place at the Time of Closing on the Closing Date at the offices of the Purchaser's Counsel or at such other place as may be agreed upon between the parties.

9.2 Formal Transfers

(a) At the Time of Closing or as soon thereafter as is reasonably possible, the Vendor shall, subject to the provisions of Section 9.4 hereof, deliver or cause to be delivered to the Purchaser, all formal and separate deeds, documents of title, conveyances, bills of sale, transfers, assignments, indentures, instruments, estoppel certificates, approvals, consents (including all necessary consents and approvals to the assign-

ment of trust deeds and trust indentures, leases agreements and contracts which require such consents or approvals), confirmations, renewals and any other documents reasonably necessary or desirable to effect the assignment, transfer and sale of the Purchased Assets to the Purchaser. In the case of the leases described in Memorandum 2, all consents and approvals of landlords which are required shall provide the landlords' consents to the assignment and where appropriate, the landlord's consent shall permit the name of the building covered by the lease to be changed to a name including the word "Hongkong" and shall grant to the Purchaser:

(i) the benefit of all provisions and covenants which run in favour of the Vendor relating to non-competition and other exclusive rights in the building; and

(ii) the right to replace all of the Vendor's signs with signs bearing the name and logo designated by the Purchaser.

(b) If the Vendor is unable, with reasonable diligence (but not requiring the expenditure of money), to arrange for the delivery on the Closing Date of any documents relating to the transfer or assignment of any of the Purchased Assets then the Purchaser will not be entitled to require the delivery thereof or to claim damages for non-delivery or inability to assign by reason of being unable to obtain consents of third parties but the Vendor and the Purchaser will thereafter cooperate in endeavouring to obtain such of the missing documents as the Purchaser considers desirable and the Vendor shall be considered the trustee for the Purchaser of all Purchased Assets affected by such missing documents until the documents are executed and delivered or the Purchaser advises that the missing documents are not required.

9.3 **Delivery of Certificates and Evidence**

At the Time of Closing, the Vendor shall deliver to the Purchaser:

(a) a favourable opinion of the Vendor's Counsel addressed to the Purchaser and the Purchaser's Counsel and dated the Closing Date on the matters represented in paragraphs 6.1(a), (b), (c), (d) and (f), except as specified in such opinion, and as to such other matters as the Purchaser's Counsel may reasonably request; and

(b) a certificate made on behalf of the Vendor by two senior Officers of the Vendor designated by the Purchaser that, on and as of the Closing Date, all representations and warranties set out in Section 6.1 are true and correct or indicating any respects in which they are not correct and all changes since October 31, 1986.

9.4 **Transfers Requiring Third Party Consent**

In the event that, in respect of any Non-Transferable Asset, the requisite consent, confirmation or renewal of a third party has not been obtained by the Vendor at the Closing Date, the Vendor shall hold the same in trust for the Purchaser and shall administer the same, including the collection of any and all monies owing thereunder or in connection therewith, and shall account in full to the Purchaser within five (5) Business Days following the end of each month otherwise than in connection with guarantees with respect to all such Non-Transferable Assets under administration by the Vendor during such month. The Vendor agrees to continue to use its best efforts, following the Closing Date, to obtain the consents, confirmations or renewals of third parties in respect of the transfer of such Non-Transferable Assets to the Purchaser and, upon obtaining the same, shall forthwith deliver to the Purchaser all relevant documentation, referred to in Section 9.2, relating to such Non-Transferable Assets.

9.5 **Prime Rate**

The Vendor will continue, following the Closing Date, to publish as its prime rate or prime lending rate the rate in effect from time to time as the Purchaser's prime rate or prime lending rate.

9.6 **Vendor Maintain Corporate Existence**

The Vendor covenants and agrees that it will maintain its corporate existence as long as the Purchaser may reasonably require it to do so so as to enable the Vendor to comply with the provisions of Sections 9.2, 9.4 and 9.5 with respect to material Non-Transferable Assets and the prime rate following the Time of Closing.

ARTICLE 10

GENERAL MATTERS

10.1 Vendor's Obligation to Assist in Transfer of Purchased Assets

The Vendor shall take all necessary steps and proceedings to permit the Purchased Assets to be duly and validly transferred to the Purchaser and to permit the Assumed Liabilities to be duly assumed by the Purchaser.

10.2 Employees

The Purchaser confirms that it will offer employment, effective the Closing Date, to all existing employees of the Vendor (other than to the Chairman of the Board). Following the Closing Date, any employee termination cost shall be for the account of the Purchaser.

10.3 Pension Arrangements

(a) The Vendor shall be responsible for all obligations in respect of benefits accrued up to the Closing Date under the Pension Plan in respect of employees of the Vendor who accept the offers of employment made to them pursuant to Section 10.2 (the "Assumed Employees");

(b) The Purchaser confirms that subject to completion of the transfer referred to in sub-paragraph 10.3(c)(iii) it will continue to provide employee pension benefits to all Assumed Employees which are substantially the same as the benefits to which they would be entitled under the Pension Plan;

(c) The Vendor and the Purchaser shall satisfy their obligations under this Section 10.3 as follows:

(i) Within 120 days following the Closing Date, but effective as of the Closing Date, the Purchaser shall establish a new pension plan (the "Purchaser's Plan") on exactly the same terms as the current Pension Plan (including guarantees that currently exist in the Pension Plan for prior service accounts, prior service benefits and for current service accounts since January 1, 1986). The Purchaser's Plan shall have a first plan year from the Closing Date to December 31, 1987 and shall assume all liabilities of the Pension Plan from the Closing Date in respect of the Assumed Employees;

(ii) Within 30 days following the Closing Date, the Vendor's actuary shall prepare and deliver to the Vendor and the Purchaser an actuarial certification setting out the amount as of the Closing Date equal to the aggregate of all account balances (comprising prior service account balances) and actuarial reserves (based upon the actuarial assumptions set forth in the January 1, 1986 Actuarial Valuation Report of the Pension Plan Actuary) for prior service benefits for the Assumed Employees. The foregoing account balances shall include interest at the rate, net of investment expenses, earned on a market value basis on the assets of the Pension Plan for the period January 1, 1986 to the Effective Date;

(iii) Within 30 days of receipt of such actuarial certificate, the Vendor shall apply for the necessary government approvals for the transfer of assets to the Purchaser's Plan equal to the amount calculated in paragraph (ii) above, adjusted for interest and other benefit payments up to the Transfer Date as described in paragraph (e) hereof. Such transfer shall be in the form of cash and shall be effective on the last day of the month which is 15 days following the date on which the Purchaser notifies the Vendor that all necessary government approvals are received (the date on which such transfer is to be made is hereinafter called the "Transfer Date");

(iv) From the Closing Date to the Transfer Date, the Purchaser shall pay all contributions required under the Pension Plan directly into a trust fund to be established for this purpose, and all amounts in such trust fund shall be transferred to the Purchaser's Plan on the Transfer Date. The Vendor shall otherwise continue to administer the Pension Plan in the same manner as it is being administered on the Closing Date, unless otherwise agreed in writing by the Vendor and the Purchaser; and

(v) If it is finally determined by a Court or other authority having jurisdiction (after all appeal periods have expired) that there is any obligation as to benefits accrued under the Pension Plan for service up to the Closing Date that is not provided for by this Agreement then such obligation shall be the

responsibility of the Vendor and shall be discharged as directed by the Court or other authority having jurisdiction.

(d) The Purchaser confirms that it will make, from and after the Closing Date, on a timely basis, all amendments to the Purchaser's Plan which are from time to time required by Revenue Canada or the Pension Benefits Standards Act (Canada) including, without restriction, the amendments to become effective on January 1, 1987 and to take necessary steps so that any employee of the Vendor who accepts the offer of employment from the Purchaser and whose employment terminates after the Closing Date, will be treated, for pension purposes, no less favourably than would be the case if these amendments had been made on the Closing Date and included a provision recognizing past service in the application of the requirement that benefits be vested after two years of service.

(e) In the event that any Assumed Employee terminates service, dies or retires prior to the Transfer Date, the amount of his account balances shall be calculated equal to the value established as of the Closing Date plus interest at the rate of 6% per annum up to the date of termination of service, retirement or death, plus the contributions made by the Purchaser into the trust fund described in paragraph 10.3(c)(iv), together with interest at the rate of 6% per annum on one half of such contributions. The amount transferable under paragrah 10.3(c)(iii) above shall equal the amount determined in paragraph 10.3(c)(ii) above less the amount as of the Closing Date paid from the Pension Plan to Assumed Employees who terminate service, retire or die prior to the Transfer Date together with interest at the rate of 6.75% from the Closing Date to the Transfer Date.

10.4 Carrying on Business as Successor

The Purchaser shall have the exclusive right, after Governor in Council Approval has been given, to represent itself as the successor to the business, undertaking, property and assets of the Vendor, other than the Retained Assets, and to expressly name the Vendor in connection with any such representation and in connection therewith shall be entitled to the name and trading style of the Vendor and any variation thereof subject to the approval of the Inspector General of Banks. Before June 1, 1987, the Vendor shall change its name. In the meantime, the Vendor shall not use its name in connection with carrying on banking business except to carry out this Agreement and wind up the business of the Vendor.

10.5 Transfer and Sales Taxes

The Purchaser shall pay all federal and provincial sales taxes and all other taxes, duties or other like charges payable upon or in connection with the sale, assignment or transfer of the Purchased Assets by the Vendor to the Purchaser.

10.6 Use of Premises and Personnel

In recognition of the fact that the Vendor will require the use of certain of the Purchaser's resources after the Closing Date, such as premises, employees, computer system and related facilities, in order to manage the disposal of the Retained Assets, deal with litigation, and to wind up its affairs in an orderly manner, the Purchaser agrees to provide to the Vendor such resources as may be reasonably required for the purpose in accordance with an agreement in the form annexed hereto as Exhibit 3.

10.7 Expenses and Fees

Each of the Vendor and the Purchaser will bear its own legal, financial advisory fees and out-of-pocket expenses in connection with the negotiation, preparation, approval and delivery of this Agreement and the consummation of the transaction contemplated herein PROVIDED THAT the Purchaser will pay all such expenses of the Vendor as are included in the Assumed Liabilities.

10.8 Certain Letters of Guarantee

In the event drawings are made against the letters of guarantee referred to in Memorandum 7 and the customer on whose behalf the letters of guarantee were issued is unable to reimburse the Vendor immediately for such drawings, the Purchaser will co-operate with the Vendor and to the extent legally possible will provide the Vendor

with a security interest in the security granted by such customer, which security interest will rank subordinate to the Purchaser's interest in such security.

10.9 **Non-Competition**

The Vendor will not for a period of five (5) years engage in, own, operate or control any business in the Provinces of British Columbia or Alberta similar to the business of a Canadian chartered bank, except as the Vendor may be required to collect, service and dispose of the Retained Assets in the course of liquidation and dissolution.

10.10 **Non-Canadian Branches**

Unless the Purchaser obtains the right to maintain any of the branches of the Vendor located outside of Canada, the Vendor will at the request and expense of the Purchaser close all such branches as soon as practicable after the Closing Date.

10.11 **Confidentiality**

If the transaction provided for herein is not completed, the Purchaser will not, directly or indirectly, use for its own purposes or communicate to any other Person, any confidential information or trade secrets relating to the Vendor or its business which become known to the Purchaser or its representatives as a result of the Vendor making the same available in connection with this transaction.

10.12 **Notices**

Any notice or other communication required or permitted to be given hereunder, shall be in writing and may be given either by telex or by hand and, if telexed, shall be deemed to have been received on the next Business Day following the dispatch and acknowledgment of receipt by the recipient's telex machine or, if delivered by hand, shall be deemed to have been received at the time it is delivered if delivered prior to 5 p.m. Vancouver time on any Business Day and in any other case, on the next Business Day. Notices shall be addressed as follows:

(a) if to the Vendor:

BANK OF BRITISH COLUMBIA
17th floor
555 Burrard Street
Vancouver, B.C.
V7X 1K1
Attention: Chief Executive Officer

with a copy to:

J. Thomas English
Russell & DuMoulin
1075 West Georgia St.
Vancouver, B.C.
V6E 3G2
Telex No. 04 53197

(b) if to the Purchaser:

HONGKONG BANK OF CANADA
1818 Granville Square
200 Granville Street
Vancouver, B.C.
V6C 1L3
Attention: M.E. Nesmith
Telex No. 04 507750

with a copy to:
W.T. Wilson
Ladner Downs
Barristers & Solicitors
2400-700 W. Georgia Street
Vancouver, B.C.
V7Y 1A8
Telex No. 04 507553

Notice of change of address shall be governed by this Section 10.12.

10.13 **Time of Essence**

Time shall be the essence of this Agreement.

10.14 **Further Assurances**

The parties hereto agree to promptly do, make, execute, deliver or cause to be done, made, executed or delivered all such further acts, documents and things as the other party hereto may reasonably require for the purpose of giving effect to this Agreement, whether before or after the Closing Date.

The Vendor hereby irrevocably appoints the Purchaser and any successor of the Purchaser and the proper officers from time to time of the Purchaser and of any successor of the Purchaser and each of them the attorney and/or attorneys for the Vendor and in its name and stead to make, do and execute all such further and other acts, deeds and things, devises, conveyances and assurances whatsoever for the better and more perfectly and absolutely conveying and assuring the Purchased Assets and every part thereof with appurtenances unto the Purchaser, its successors and assigns as by counsel for the Purchaser or its successors and assigns shall be reasonably advised or required. So long as the Vendor maintains its corporate existence, the Purchaser shall notify the Vendor, in writing, of the Purchaser's use of the power hereby granted and hereby agrees to indemnify and save harmless the Vendor from and against any claims whatsoever and from and all liability, cost or expenses incurred by the Vendor arising out of the use of this power by the Purchaser.

10.15 **Brokerage and Commissions**

The Vendor agrees to indemnify and save harmless the Purchaser from and against any claims whatsoever for any brokerage, commission or other remuneration claimed by any broker, agent or other intermediary who acted for the Vendor in connection with the transaction contemplated by this Agreement. The Purchaser agrees to indemnify and save harmless the Vendor from and against any claims whatsoever for any brokerage, commission or other remuneration claimed by any broker, agent or other intermediary who acted for the Purchaser in connection with the said transaction except to the extent such claims are included in the Assumed Liabilities.

10.16 **Announcements**

The parties hereto agree that no disclosure or public announcement with respect to this Agreement or any of the transactions contemplated by this Agreement shall be made by any party hereto without the prior written consent of the other party hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

BANK OF BRITISH COLUMBIA

By: (Signed) J.A. Thomas

(Signed) H.J. Bow C.S.

HONGKONG BANK OF CANADA

By: (Signed) M.E. Nesmith

(Signed) J.H. Cleave C.S.

EXHIBIT 1 TO THE SALE AGREEMENT

POST-CLOSING STATEMENT

Prepared in accordance with the Asset Purchase Agreement dated November , 1986 between Hongkong Bank of Canada and Bank of British Columbia as at the Effective Time

	($000's)
Purchased Assets (including assets of Purchased Subsidiaries)	$
Cash Resources	
Securities	
Loans	
Other Assets	
Purchase Price	
Assumed Liabilities	
Deposits	
Secured Notes	
Bank Debentures	
Other (excluding Retained Liabilities but including Liabilities of Purchased Subsidiaries)	
Total Assumed Liabilities	
Excess of Purchased Assets over Assumed Liabilities	
Adjustment specified in Section 5.2 of the Asset Purchase Agreement	
Cash Portion of Purchase Price (Purchase Price less Assumed Liabilities)	

Notes to Post-Closing Statement

1. The Post-Closing Statement has been prepared in accordance with the provisions of the Asset Purchase Agreement and the accounting practices referred to therein.
2. Securities are valued in accordance with Section 5.3 of the Asset Purchase Agreement.
3. Loans are stated net of agreed specific provisions specified in Section 5.3 of the Asset Purchase Agreement.

EXHIBIT 2 TO THE
SALE AGREEMENT

AUDITORS' REPORT

To the Directors of
BANK OF BRITISH COLUMBIA
and to
HONGKONG BANK OF CANADA

We have examined the "Post Closing Statement" as defined in the Asset Purchase Agreement dated November 26, 1986 between Bank of British Columbia and Hongkong Bank of Canada as at the "Adjustment Time". Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying "Post Closing Statement" presents fairly the "Purchase Price" and "Assumed Liabilities" of Bank of British Columbia as these terms are defined in, and in accordance with, the above-mentioned Asset Purchase Agreement.

Vancouver, Canada
December , 1986

EXHIBIT 3 TO THE SALE AGREEMENT

POST-CLOSING AGREEMENT

THIS AGREEMENT made as of the day of November, 1986,

BETWEEN:

HONGKONG BANK OF CANADA, one of the chartered banks of Canada, (herein called "HBC")

AND:

BANK OF BRITISH COLUMBIA, one of the chartered banks of Canada, (herein called "BBC")

WHEREAS:

A. Pursuant to an agreement of purchase and sale dated November , 1986 (the "Sale Agreement") HBC has purchased substantially all of the banking assets of BBC;

B. In consequence BBC's former senior officers and employees are no longer available to it in these capacities, its business having been substantially assumed by HBC; and

C. BBC requires assistance in disposing of the Retained Assets (as defined in the Sale Agreement) and operating BBC in accordance with the requirements of the Bank Act and the Bank of British Columbia Business Continuation Act (the "Enabling Act");

D. HBC is willing to make certain of its officers and employees available to provide consulting advice to BBC and its board of directors in respect of the disposition of the Retained Assets and the conduct of its affairs in other respects and to provide office space and clerical and administrative services to BBC for the period and on the terms hereinafter set forth.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound, the parties hereto agree as follows:

1. INTERPRETATION

1.01 All terms used herein shall have the meaning set forth in the Sale Agreement unless otherwise specified.

2. OBLIGATIONS OF HBC

2.01 HBC hereby agrees to make certain of its officers and employees available to BBC as consultants to assist BBC and its board of directors in seeking opportunities for the orderly disposition of the Retained Assets and in administering the affairs of BBC in accordance with the requirements of the Bank Act and the Enabling Act. In particular HBC agrees to make available to BBC the services of the individuals designated by BBC and HBC who have been particularly involved with the transactions that are the subject matter of the Sale Agreement, while such individuals are employees of HBC, on a consulting basis at such time as is reasonable having regard to BBC's requirements but also to their responsibilities as officers and employees of HBC.

It is agreed that such individuals may take such action as is reasonably requested by the board of directors of BBC in operating the business of BBC to the extent permitted by the provisions of the Bank Act and the Enabling Act which may include:

(a) taking such action as is necessary to carry out BBC's remaining obligations under the Sale Agreement;

(b) seeking offers for the sale of the Retained Assets and negotiating the terms and conditions of the sale thereof;

(c) defending against any claims or proceedings that may be asserted or initiated against BBC by third parties;

(d) carrying out such other activities as may reasonably be requested by the board of directors of BBC in connection with the foregoing and with the distribution of its remaining assets to its shareholders.

2.02 HBC agrees to provide the office space and administrative and clerical services necessary to enable BBC to operate its business in accordance with the Bank Act and the Enabling Act and to provide employees to make all applicable filings required by the provisions of the Bank Act and the Enabling Act or any other statutes or regulations applicable to BBC.

2.03 Each of BBC and HBC will provide the other with such access to books, records and other information as may be reasonably necessary for the conduct of their respective business activities, including filing of income tax and similar matters.

2.04 Each of BBC and HBC covenants to respect the confidentiality of all information concerning the business and affairs of the other of them which is not otherwise available to the public.

2.05 This agreement shall take effect and the obligations of HBC hereunder shall commence immediately after the closing of the sale of the Purchased Assets pursuant to the Sale Agreement and shall continue until the issue of letters patent dissolving BBC under the Bank Act or on such earlier date as is specified by BBC in a written notice to HBC; for greater certainty, HBC acknowledges that BBC may deliver such a notice at its sole discretion and without thereby incurring any liability to HBC. The provisions of section 2.04 shall survive the termination of this agreement.

2.06 HBC and BBC acknowledge that ultimate responsibility for the management of the business and affairs of BBC remains with the board of directors of BBC.

3. LIABILITIES OF HBC AND BBC

BBC shall be responsible for paying all out of pocket expenses incurred on its behalf by the persons made available by HBC hereunder and that are related to their services to BBC. HBC shall be reimbursed monthly by BBC an amount equal to the cost to HBC of providing administrative, secretarial and clerical services and office space.

4. FEES

In consideration of HBC making available the services of the persons referred to in Section 2.01 hereof, BBC will pay to HBC fees at hourly rates to be determined from time to time by agreement between BBC and HBC, both acting in good faith.

5. LIABILITY OF HBC

5.01 In acting in any capacity set forth in this Agreement HBC shall incur no liability for any actions taken or omitted hereunder.

5.02 BBC agrees to indemnify and hold harmless HBC from and against any and all losses, costs, claims and liabilities which it may suffer or incur by reason of any matter or thing which HBC may do or have done or cause to be done pursuant to the terms of this Agreement.

6. JURISDICTION

This Agreement shall be governed by and construed under the laws of the Province of British Columbia.

7. NOTICE

Any notice required or permitted to be given hereunder shall be properly given if given in accordance with the notice provisions of the Sale Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

HONGKONG BANK OF CANADA

By: ______________________________

____

BANK OF BRITISH COLUMBIA

By: ______________________________

____

EXHIBIT 4 TO THE
SALE AGREEMENT

DESCRIPTION OF EXCLUDED LOANS

Certain loans outstanding to the Vendor having an aggregate principal amount of $21,912,607.49 and an aggregate net book value of $15,341,607.49 comprised of the loans described in Memorandum 4.

EXHIBIT 5 TO THE SALE AGREEMENT

ESCROW AGREEMENT

THIS AGREEMENT made as of the 27th day of November, 1986.

AMONG:

BANK OF BRITISH COLUMBIA, one of the chartered banks of Canada,
("BBC")

OF THE FIRST PART

AND:

HONGKONG BANK OF CANADA, one of the chartered banks of Canada,
("HBC")

OF THE SECOND PART

AND:

THE ROYAL BANK OF CANADA, one of the chartered banks of Canada,
(the "Deposit Bank")

OF THE THIRD PART

WHEREAS:

(A) By agreement dated 27 November, 1986 made between BBC and HBC (the "Sale Agreement") BBC agreed to transfer and assign to HBC and HBC agreed to acquire and assume from BBC certain assets and liabilities;

(B) The monetary consideration payable by HBC under the Sale Agreement on Closing (the "Trust Amount") is to be paid into a trust account (the "Trust Account") designated by BBC and Canada Deposit Insurance Corporation ("CDIC") and released in accordance with the provisions of the Bank of British Columbia Business Continuation Act (the "Act");

(C) The Sale Agreement provides for post-closing adjustments between the parties and in order to assure the completion of such adjustments and to establish a fund from which claims for breaches of warranties or representations by BBC may be satisfied, the parties have entered into this Agreement;

THEREFORE in consideration of the mutual covenants and agreements hereinafter contained, the parties agree as follows:

DEFINITIONS

1. Expressions defined in the Sale Agreement have the same meanings when used in this Agreement.

DEPOSIT AND HOLDING OF FUNDS

2.1 BBC and HBC will concurrently herewith enter into an agreement with CDIC providing, inter alia, for the delivery to the Deposit Bank of that portion, if any, of the Trust Amount required to be released to BBC pursuant to the Act.

2.2 The Deposit Bank will receive and hold all funds received pursuant to section 2.1 into an account specially opened for that purpose (the "Escrow Account") and shall hold such funds together with interest thereon (but after deducting its own charges and expenses) in trust and will release such funds only in accordance with the provisions of this Agreement. In this Agreement "Escrow Amount" means the funds so received and for the time being held in the "Escrow Account" pursuant to this Agreement and all interest accrued thereon but after deducting the charges and expenses of the Deposit Bank referred to in Section 4.2.

2.3 The Deposit Bank will invest the Escrow Amount only in bank deposits, certificates of deposit, treasury bills and like securities as may be designated jointly by BBC and HBC provided that such investments shall be rated R-1 by Dominion Bond Rating Service or A-1 by Canadian Bond Rating Service.

2.4 BBC and HBC will execute and deliver such additional documents to CDIC and the Deposit Bank as may be required for the delivery of funds to the Deposit Bank as contemplated in this Section 2.

2.5 BBC, HBC and the Deposit Bank acknowledge and confirm that, the full amount of the Escrow Amount will be held in trust for HBC and BBC as their respective interests may arise pursuant to this Agreement.

RELEASE OF FUNDS

3.1 Notwithstanding any of the provisions of this Agreement, the Escrow Agreement may not be released to BBC, and may only be released to HBC pursuant to Sections 3.2 and 3.4 of this Agreement, prior to the sixtieth day following the Closing.

3.2 If HBC becomes entitled to a repayment pursuant to Section 5.4 of the Sale Agreement (an "Adjustment Claim") it may direct the Deposit Bank to release forthwith to HBC from the Escrow Account the amount referred to in paragraph (b) below by delivering concurrently to the Deposit Bank and BBC:

(a) a statutory declaration substantially in the form attached as Schedule A sworn by a director or the chief financial officer of HBC; and

(b) an irrevocable written direction of HBC directing the Deposit Bank to release to HBC or to its order the lesser of:

(i) the amount of the Adjustment Claim; and

(ii) the Escrow Amount,

and, without further notice to or authorization from BBC, the Deposit Bank shall forthwith comply with such direction or, if the Escrow Amount has not yet been credited to the Escrow Account, the Deposit Bank shall comply with such direction forthwith upon the Escrow Account being so credited.

3.3 If at any time prior to the sixtieth day following the Closing, HBC considers that it has a claim or claims against BBC for breach of representations and warranties contained in Section 6.1 of the Sale Agreement in an aggregate amount exceeding $3,000,000 (a "Warranty Claim"), or prior to such date but following delivery of a draft Post-Closing Statement pursuant to Section 5.3 of the Sale Agreement, it considers it will have an Adjustment Claim, it may direct the Deposit Bank to receive and hold or to continue to hold the amount referred to in paragraph 4 of the statutory declaration referred to below in the Escrow Account pending settlement or final determination of the Warranty Claim or, as the case may be, delivery of the final Post-Closing Statement pursuant to Section 5.3 of the Sale Agreement by delivering concurrently to the Deposit Bank and BBC a statutory declaration in the form attached as Schedule B sworn by a director or the chief financial officer of HBC. The Deposit Bank shall, subject to Section 3.5(c) hereof, comply with such direction and shall not release such amount from the Escrow Account to either HBC or BBC except:-

(a) pursuant to a direction given by HBC in accordance with Section 3.2 above or 3.4 below; or

(b) pursuant to a direction given by BBC in accordance with Section 3.5 below.

For the avoidance of doubt, where HBC has given a direction under Section 3.2 and under this Section, the Escrow Amount shall be allocated first to the Adjustment Claim and secondly to the Warranty Claim and, to the extent that the aggregate amount of both claims exceeds the Escrow Amount, the amount of the Warranty Claim shall, for the purposes of this Agreement, be correspondingly reduced.

3.4 To the extent that at any time following a direction given under Section 3.3 above with reference to a Warranty Claim, the Warranty Claim is settled or finally determined in HBC's favour, then HBC may direct the Deposit Bank to release forthwith to HBC from the Escrow Account the amount referred to in paragraph (b) below by delivering concurrently to the Deposit Bank and BBC:-

(a) a statutory declaration substantially in the form attached as Schedule C sworn by a director or the chief financial officer of HBC; and

(b) an irrevocable written direction of HBC directing the Deposit Bank to release to HBC or to its order the lesser of:

(i) the amount referred to in paragraph 4 of such statutory declaration; and

(ii) the Escrow Amount,

and without further notice to or authorization from BBC, the Deposit Bank shall on the tenth day following such direction (or the next succeeding Business Day) comply therewith or, if the Escrow Amount has not yet been credited to the Escrow Account, the Deposit Bank shall comply with such direction on the date of the tenth day following such direction (or the next succeeding Business Day) and the date the Escrow Account is so credited.

For the purposes of this Agreement, a Warranty Claim will be treated as having been settled or finally determined upon (i) settlement by agreement between BBC and HBC, or (ii) the expiry or extinction of all appeal rights from a judgment or order made by a court of competent jurisdiction.

3.5 (a) If no direction is given by HBC under Section 3.2 or 3.3 or 3.4 on or prior to the sixtieth day following the Closing, BBC shall be entitled to the release of the whole of the Escrow Amount.

(b) If following the expiry of the period referred to in paragraph (a) above a portion of the Escrow Amount is not the subject of a direction given under Section 3.2, 3.3 or 3.4 hereof, in which case BBC shall be entitled to the release of such portion.

(c) If following a direction by HBC under Section 3.3 above in respect of a Warranty Claim, HBC fails diligently to pursue its Warranty Claim, in which case BBC shall be entitled to the release of the amount held pursuant to Section 3.3; for the purposes of this paragraph HBC will be deemed not to be pursuing diligently its Warranty Claim if (and only if) it fails to commence legal proceedings within six months of giving the direction under Section 3.3.

(d) If any Warranty Claim is settled or finally determined in favour of BBC, in whole or in part, or if, in the case of a direction given under Section 3.3 in respect of a pending Adjustment Claim, the final Post-Closing Statement discloses that the amount of the Adjustment Claim is less than the amount held under Section 3.3 with respect thereto, BBC shall be entitled to the release of the portion of the Escrow Amount (if any) theretofore being held pursuant to Section 3.3 but in respect of which the settlement or final determination is in favour of BBC or, as the case may be, the amount of the reduction of the Adjustment Claim.

Any direction for a release pursuant to the foregoing provisions of this Section shall be made by BBC delivering concurrently to the Deposit Bank and to HBC:-

(i) a statutory declaration substantially in the form attached as Schedule D signed by a director or the liquidator of BBC;

(ii) an irrevocable written direction of BBC directing the Deposit Bank to release to BBC or to its order the amount of its entitlement,

and, without further notice to or authorization from HBC, the Deposit Bank shall comply with such direction on the tenth day following delivery of such direction (or the next succeeding Business Day).

THE DEPOSIT BANK

4.1 The Deposit Bank hereby accepts its obligations as escrow agent on the terms and conditions contained in this Agreement, including the following terms and conditions which are hereby agreed to by all parties:

(a) the Deposit Bank undertakes to exercise those rights and powers as are vested in it by this Agreement with the same degree of care and skill as a reasonably prudent man would exercise or use under the circumstances in the conduct of his own affairs;

(b) the Deposit Bank may rely and will be protected in acting upon any instrument believed by it to be genuine and to have been signed or presented by the proper party or parties;

(c) the Deposit Bank will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any direction or request of the parties which the Deposit Bank is required to comply with under this Agreement and believed by it to be authorized in the discretion or rights or powers conferred upon it by this Agreement.

4.2 The Deposit Bank will in respect of its services hereunder be entitled to its usual bank charges and reasonable expenses incurred by it hereunder, which charges and expenses will be deducted from the amount held in the Escrow Account.

4.3 BBC and HBC, jointly and severally, will indemnify and save harmless the Deposit Bank against any liabilities not arising from its own fault or negligence which it may incur in the exercise and performance of its rights, powers, trusts, duties and obligations under this Agreement.

4.4 The Deposit Bank may resign as escrow agent under this Agreement by giving notice to each of BBC and HBC specifying a date not less than 90 days after the date of the notice when such resignation will take effect. The resignation will take effect on the later of the date specified in such notice or the date as of which a successor is appointed by BBC and HBC or by a judge of the Supreme Court of British Columbia and when all deeds and acceptances necessary for proper vesting of the Escrow Amount in the successor have been duly and validly executed and delivered by or to it and it has agreed to be bound by this Agreement.

4.5 The appointment of the Deposit Bank hereunder may be terminated by mutual agreement (in writing) of HBC and BBC.

4.6 The duties and obligations of the Deposit Bank under this Agreement will terminate:-

(a) upon release of the Trust Amount if no funds are released to the Deposit Bank; or

(b) upon release by the Deposit Bank of the full amount of the Escrow Amount pursuant to this Agreement; or

(c) upon the effective date of resignation or termination pursuant to Section 4.4 or 4.5 above.

GENERAL PROVISIONS

5.1 The parties hereto will execute such further and other documents and do such further and other things as may be necessary to carry out and give effect to the intent of this Agreement.

5.2 This Agreement will be binding upon and will enure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

5.3 Time will be of the essence of this Agreement.

5.4 Any notice or communication required or permitted to be given under this Agreement will be in writing and will be given by delivery and will be deemed to have been given upon delivery in each case addressed as follows:

If to BBC at:

BANK OF BRITISH COLUMBIA
555 Burrard Street
Vancouver, British Columbia
Attention President

with a copy to:

RUSSELL & DuMOULIN
Barristers and Solicitors
1075 West Georgia Street
Vancouver, British Columbia
V6E 3G2
Attention Mr. J. Thomas English

If to HBC at:

HONGKONG BANK OF CANADA
1818 Granville Square
200 Granville Street
Vancouver, British Columbia
Attention The President

If to the Deposit Bank:

THE ROYAL BANK OF CANADA
1055 West Georgia Street
Vancouver, British Columbia
Attention Vice-President and Manager

Any party may at any time give notice in writing of any change of address of the party giving the notice and from and after the giving of the notice the address or addresses specified in the notice will be deemed to be the address of the party for the purposes of delivery of any notice or communication.

5.5 If any portion hereof is invalid for any reason, such invalidity will not affect the validity of the remainder of this Agreement, which will continue in full force and effect and be construed as if this Agreement had been executed without the invalid portion.

5.6 No party may assign in whole or in part any of its interest hereunder without the prior written agreement of the other parties except that HBC may assign all or part of its interest hereunder to CDIC and BBC hereby consents to such assignment and will provide such acknowledgements or assurances as may be reasonably requested by HBC to effect such assignment.

5.7 This Agreement will be governed by and construed in accordance with the laws prevailing in British Columbia.

5.8 The headings in this Agreement have been inserted for reference and as a matter of convenience only.

IN WITNESS WHEREOF the parties have executed this Agreement on the day and year first above written.

BANK OF BRITISH COLUMBIA

By: ______________________________

____

HONGKONG BANK OF CANADA

By: ______________________________

____

THE ROYAL BANK OF CANADA

By: ______________________________

____

SCHEDULE A

STATUTORY DECLARATION

CANADA PROVINCE OF BRITISH COLUMBIA TO WIT:	) IN THE MATTER OF THE SALE OF) ASSETS OF BANK OF BRITISH COLUMBIA) TO HONGKONG BANK OF CANADA

I, ... , ... , of . . . . ,

in the City of . . . . , Province of . . . . ,

DO SOLEMNLY DECLARE THAT:

1. I am [a director] [the Chief Financial Officer] of Hongkong Bank of Canada ("HBC") and as such have personal knowledge of the matters hereinafter declared.

2. This Declaration is delivered pursuant to:

(a) the Agreement of Sale and Purchase dated November , 1986 (the "BBC/HBC Agreement") made between Bank of British Columbia ("BBC") and HBC, providing for the sale of certain assets by BBC to HBC; and

(b) Section 3.2 of the Escrow Agreement dated November , 1986 (the "Escrow Agreement") made between BBC, HBC and The Royal Bank of Canada (the "Deposit Bank") providing for the deposit in escrow of certain trust monies.

3. HBC has complied in all respects with the provisions of Section 5.2 of the BBC/HBC Agreement in the preparation of the Post-Closing Statement as defined in that Agreement and annexed as Exhibit 1 to this Declaration.

4. The Post-Closing Statement discloses that the amount of the Purchased Assets (as defined in the BBC/HBC Agreement) [exceeds/is less than] the amount of the Assumed Liabilities (as defined in the BBC/HBC Agreement) by only $.

5. The sum of $ is now due and payable to HBC out of monies held by the Deposit Bank pursuant to Section 3.2 of the Escrow Agreement.

And I make this solemn Declaration conscientiously believing it to be true and knowing it is of the same force and legal effect as if made under oath.

SWORN BEFORE ME at the of , in the Province of , this day of , 198	))))	______________________________
______________________________ Notary Public in and for the Province of	))))	

SCHEDULE B

STATUTORY DECLARATION

CANADA	) IN THE MATTER OF THE SALE OF
PROVINCE OF BRITISH COLUMBIA	) ASSETS OF BANK OF BRITISH COLUMBIA
TO WIT:	) TO HONGKONG BANK OF CANADA

I, ... , ... , of .... ,

in the City of .... , Province of .... ,

DO SOLEMNLY DECLARE THAT:

1. I am [a director] [the Chief Financial Officer] of the Bank of British Columbia (''BBC'') and as such have personal knowledge of the matters hereinafter declared.

2. This Declaration is delivered pursuant to:

(a) the Agreement of Sale and Purchase dated November , 1986 (the ''BBC/HBC Agreement'') made between BBC and Hongkong Bank of Canada (''HBC''), providing for the sale of certain assets by BBC to HBC; and

(b) Section 3.3 of the Escrow Agreement dated November , 1986 (the ''Escrow Agreement'') made between BBC, HBC and The Royal Bank of Canada (the ''Deposit Bank'') providing for the deposit in escrow of certain trust monies.

3. HBC considers that it [has the following claim or claims against BBC for breach of representations and warranties given by BBC in Section 6.1 of the BBC/HBC Agreement in an aggregate amount exceeding $3,000,000][will have the following Adjustment Claim]: [set out short details of claim(s)]. HBC considers that the amount of such claim or claims is $, together with interest thereon.

4. Under the terms of the Escrow Agreement you are hereby directed to hold the amount of $ standing to the credit of the Escrow Account (as defined in the Escrow Agreement) in accordance with the provisions the Escrow Agreement.

And I make this solemn Declaration conscientiously believing it to be true and knowing it is of the same force and legal effect as if made under oath.

SWORN BEFORE ME at the of	)	
, in the Province of	)	
, this	)	
day of , 198	)	______________________________
	)	
______________________________	)	
Notary Public in and for the	)	
Province of	)	

SCHEDULE C

STATUTORY DECLARATION

CANADA PROVINCE OF BRITISH COLUMBIA TO WIT:	) IN THE MATTER OF THE SALE OF) ASSETS OF BANK OF BRITISH COLUMBIA) TO HONGKONG BANK OF CANADA

I, ..., of ....

in the City of ...., Province of ....

DO SOLEMNLY DECLARE THAT:

1. I am [a director] [the Chief Financial Officer] of Hongkong Bank of Canada ("HBC") and as such have personal knowledge of the matters hereinafter declared.

2. This Declaration is delivered pursuant to:

   (a) the Agreement of Sale and Purchase dated November , 1986 (the "BBC/HBC Agreement") made between Bank of British Columbia ("BBC") and HBC, providing for the sale of certain assets by BBC to HBC; and

   (b) Section 3.4 of the Escrow Agreement dated November , 1986 (the "Escrow Agreement") made between BBC, HBC and The Royal Bank of Canada (the "Deposit Bank") providing for the deposit in escrow of certain trust monies.

3. A [settlement/final determination] for the purposes of the Escrow Agreement has been made in favour of HBC in respect of the Warranty Claim (as defined in the Escrow Agreement) notified to you on , 19 . The amount of the [settlement/final determination] made in favour of HBC is $

4. The sum of $ is now due and payable to HBC out of the Escrow Account pursuant to Section 3.4 of the Escrow Agreement.

And I make this solemn Declaration conscientiously believing it to be true and knowing it is of the same force and legal effect as if made under oath.

SWORN BEFORE ME at the of , in the Province of , this day of , 198 ____________________ Notary Public in and for the Province of	)))) ____________________))))

SCHEDULE D

STATUTORY DECLARATION

CANADA	) IN THE MATTER OF THE SALE OF
PROVINCE OF BRITISH COLUMBIA	) ASSETS OF BANK OF BRITISH COLUMBIA
TO WIT:	) TO HONGKONG BANK OF CANADA

I, ... , ... , of . . . . ,

in the City of . . . . , Province of . . . . ,

DO SOLEMNLY DECLARE THAT:

1. I am [a director] [the liquidator] of the Bank of British Columbia (''BBC'') and as such have personal knowledge of the matters hereinafter declared.

2. This Declaration is delivered pursuant to:

(a) the Agreement of Sale and Purchase dated November , 1986 (the ''BBC/HBC Agreement'') made between BBC and Hongkong Bank of Canada (''HBC''), providing for the sale of certain assets by BBC to HBC; and

(b) Section 3.5 of the Escrow Agreement dated November , 1986 (the ''Escrow Agreement'') made between BBC, HBC and The Royal Bank of Canada (the ''Deposit Bank'') providing for the deposit in escrow of certain trust monies.

3. By virtue of [here set out details of reasons for entitlement], BBC is entitled to the release of $ of the Escrow Amount under paragraph [(a)/(b)/(c)/(d)] of Section 3.5 of the Escrow Agreement.

4. A certified copy of this statutory declaration and the irrevocable written direction given pursuant to Section 3.5(ii) of the Escrow Agreement has been concurrently delivered to HBC.

And I make this solemn Declaration conscientiously believing it to be true and knowing it is of the same force and legal effect as if made under oath.

SWORN BEFORE ME at the of	)
, in the Province of	)
, this	)
day of , 198	) ______________________________
	)
______________________________	)
Notary Public in and for the	)
Province of	)

EXHIBIT 6 TO THE
SALE AGREEMENT
DRAFT

BANK OF BRITISH COLUMBIA

Consolidated Statement of Assets and Liabilities

as at October 31, 1986 (in thousands of dollars)

	October 31 1986
Assets	
Cash resources:	
Cash and deposits with Bank	$ 43,125
Deposits with other banks	30,998
Cheques and other items in transit, net	19,421
	93,544
Securities:	
Issued or guaranteed by Canada	173,109
Issued or guaranteed by provinces and municipal or school corporations	3,057
Other securities	19,741
	195,907
Loans:	
Day, call and short loans to investment dealers and brokers, secured	—
Loans to banks	18,707
Mortgage loans	435,316
Other loans	1,888,877
	2,342,900
Other:	
Customers' liability under acceptances	100
Land, buildings and equipment	33,059
Other assets	100,227
	133,386
	$2,765,737
Liabilities	
Canadian currency deposits:	
Payable on demand	$ 114,819
Payable after notice — Personal	745,302
— Non personal	
Payable on a fixed date — Personal	1,182,230
— Non personal	
	2,042,351
Foreign currency deposits:	
Payable to banks	
Payable to others	
Other liabilities:	
Cheques and other items in transit, net	
Advances from Bank of Canada	429,000
Acceptances	100
Liabilities of subsidiaries, other than deposits	57,493
Other liabilities	42,722
	529,315
Subordinated debt:	
Bank debentures	10,319
Capital and reserves:	
Appropriations for contingencies	(113,879)
Shareholders' equity:	
Capital stock:	
Preferred shares, without par value	
Authorized 3,000,000 shares	
Issued: Series A 658,800 shares	16,470
Series B 800,000 shares	20,000
Common shares, without par value	
Authorized $500,000,000	244,870
Issued $244,870,119	16,291
Retained earnings	183,752
	$2,765,737

EXHIBIT 6 TO THE SALE AGREEMENT DRAFT

BANK OF BRITISH COLUMBIA

Consolidated Statement of Assets and Liabilities

as at October 31, 1986 (in thousands of dollars)

	October 31, 1986	July 31, 1986
Liquid assets:		
Cash and deposits with Bank of Canada	$ 43,125	$ 44,456
Deposits with other banks	—	2,010
Cheques and other items in transit, net	19,421	10,643
Securities:		
Issued or guaranteed by Canada	173,109	114,738
Other securities	22,798	25,214
	258,453	197,061
Loans:		
Day, call and short loans	—	—
Loans to banks	30	372
Commercial loans	1,097,179	1,186,464
Consumer loans	384,938	412,907
Mortgage loans	435,316	433,740
Leasing	61,919	63,725
	1,979,382	2,097,208
Foreign currency assets:		
Deposits with other banks	30,998	18,694
Securities	—	—
Loans to banks	18,677	17,017
Loans to provinces	—	—
Other loans	344,841	402,203
	394,516	437,914
Other:		
Customers' liability under acceptances	100	—
Land, buildings and equipment	53,050	57,429
Less: Accumulated depreciation	19,991	23,536
	33,059	33,893
Deferred income taxes	28,051	26,399
Other assets	72,176	84,259
	133,386	144,551
	$2,765,737	$2,876,734
Canadian currency deposits:		
Payable on demand	$ 96,606	$ 91,990
Payable after notice — Personal	628,924	593,109
— Non personal	109,222	109,897
Payable on a fixed date — Personal	595,814	604,236
— Non personal	514,136	465,629
	1,944,702	1,864,861
Foreign currency deposits:		
Payable to banks	52,678	76,829
Payable to others	44,971	42,279
	97,649	119,108
Other liabilities:		
Cheques and other items in transit, net	—	—
Advances from Bank of Canada	429,000	564,000
Acceptances	100	—
Liabilities of subsidiaries, other than deposits	57,493	57,568
Other liabilities	42,722	51,360
	529,315	672,928
Subordinated debt:		
Bank debentures	10,319	10,324
Capital and reserves:		
Appropriations for contingencies	(113,879)	(89,266)
Shareholders' equity:		
Capital stock:		
Preferred shares, without par value		
Authorized 3,000,000 shares		
Issued: Series A 658,800 shares	16,470	16,470
Series B 800,000 shares	20,000	20,000
Common shares, without par value		
Authorized $500,000,000	244,870	244,870
Issued $244,870,119	16,291	17,439
Retained earnings	183,752	209,513
	$2,765,737	$2,876,734

EXHIBIT 7 TO THE SALE AGREEMENT

BANK OF BRITISH COLUMBIA

Consolidated Statement of Assets and Liabilities

as at October 31, 1986 (in thousands of dollars)

Assets

	Oct. 31, 1986	Adjusted Oct. 31, 1986	Purchased	Not Purchased
Cash resources:				
Cash and deposits with Bank	$ 43,125	$ 43,125	$ 43,125	$
Deposits with other banks	30,998	30,998	30,998	
Cheques and other items in transit, net	19,421	19,421	19,421	
	93,544	93,544	93,544	
Securities:				
Issued or guaranteed by Canada	173,109	173,109	173,109	
Issued or guaranteed by provinces and municipal or school corporations	3,057	3,057	3,057	
Other securities	19,741	19,160	19,160	
	195,907	195,326	195,326	
Loans:				
Day, call and short loans to investment dealers and brokers, secured	—			
Loans to banks	18,707	18,707	18,707	
Mortgage loans	435,316	433,916	433,916	
Other loans	1,888,877	1,853,377	1,837,535	15,842
	2,342,900	2,306,000	2,290,158	15,842
Other:				
Customers' liability under acceptances	100	100	100	
Land, buildings and equipment	33,059	31,259	19,534	11,725
Other assets	100,227	45,612	37,466	8,146
	133,386	76,971	57,100	19,871
	$2,765,737	$2,671,841	$2,636,428	$ 35,713

Liabilities

	Oct. 31, 1986	Adjusted Oct. 31, 1986	Assumed Oct. 31, 1986	Not Assumed
Canadian currency deposits:				
Payable on demand	$ 96,606	$ 96,606	$ 96,606	$
Payable after notice:				
— Personal	628,924	628,924	628,924	
— Non personal	109,222	109,222	109,222	
Payable on a fixed date:				
— Personal	595,814	595,814	595,814	
— Non personal	514,136	514,136	514,136	
	1,944,702	1,944,702	1,944,702	
Foreign currency deposits:				
Payable to banks	52,678	52,678	52,678	
Payable to others	44,971	44,971	44,971	
	97,649	97,649	97,649	
Other liabilities:				
Cheques and other items in transit, net	—	—	—	
Advances from Bank of Canada	429,000	429,000	429,000	
Acceptances	100	100	100	
Liabilities of subsidiaries other than deposits	57,493	57,493	57,493	
Other liabilities	42,722	43,044	33,330	9,714
	529,315	529,637	519,923	9,714
Subordinated debt:				
Bank debentures	10,319	10,319	10,319	
	2,581,985	2,582,307	2,572,593	9,714
Capital and reserves:				
Appropriations for contingencies	(113,879)			
Capital stock:				
— Preferred Shares, without par value				
— Authorized 3,000,000 shares				
— Issued:				
— Series A 658,800 shares	16,470			
— Series B 800,000 shares	20,000			
— Common shares, without par value				
— Authorized $500,000,000				
— Issued $244,870,119	244,870			
Retained earnings	16,291			
	183,752	89,534	63,535	25,999
	$2,765,737	$2,671,841	$2,636,128	$ 35,713

APPENDIX "D"

PARTICULARS OF MATERIAL LITIGATION

In August 1983 a counterclaim in an action pending in The Court of Queen's Bench of Alberta was filed by E.A. Kutryk Industries Ltd. for damages of $3,000,000 and costs. The claim arises out of the alleged breach of a corporate banking agreement and wrongful appointment of a receiver-manager. Counsel for the Bank have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In August 1983 an action was commenced in The Court of Queen's Bench of Alberta by George LaPierre & Propane Engineering Services Ltd. claiming general damages of $5,000,000, special damages and costs. The claim is based on alleged fraudulent acts on the part of and false affidavits sworn by or on behalf of the Bank. The Bank is defending the action and the outcome cannot be determined at this time.

In November 1983 the Bank was joined by the Royal Bank of Canada as a fourth party by counterclaim in an action brought in The Court of Queen's Bench of Alberta by S. Monaco & Associates Ltd. and another against A. Ninji for payment of $3,150,000, interest and costs. The claim is based on an alleged representation by the Bank that it had opened a letter of credit. A total of 11 parties is involved. Counsel for the Bank have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In February 1984 an action was commenced in The Court of Queen's Bench of Alberta by Munzell Properties Ltd. claiming damages of $2,500,000, general damages of $1,300,000 and costs. The claim is based on the alleged breach by the Bank of a commitment to provide financing to the Plaintiff. Counsel have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In July 1984 an action was commenced by Edith M. McCracken and Lawrence A. Elliott in The Supreme Court of British Columbia claiming general damages, punitive and exemplary damages, interest and costs. The claim arises from the receivership of Farwest Cedar Fencing Ltd. and the Plaintiffs allege unlawful acts on the part of the Bank, the receiver-manager, and the Federal Business Development Bank. Counsel for the Bank have advised that based on the basis of information available to them, the claim is unlikely to succeed.

In November 1984 an action was commenced in The Court of Queen's Bench of Alberta by William Steinberg, William Friedman and three companies associated with one or the other of them. The defendants are the Bank and Ormskirk Investments Ltd. The Plaintiffs seek judgment for $61 million, an order setting aside an agreement between the Bank and Ormskirk Investments Ltd. relating to the sale by the Bank to Ormskirk of certain real estate and a portfolio of nonperforming loans owed to the Bank, including loans owed by the Plaintiffs, and certain other relief. The action arises out of the said sale which was allegedly made in breach of certain agreements between the Bank and the Plaintiffs to restructure the loans. Counsel for the Bank have advised that, in their opinion, based on their review of certain of the Bank's documents relating to the Plaintiffs' dealings with the Bank and interviews with key Bank personnel involved in such dealings, (a) it is highly unlikely that the Plaintiffs' claim for an order setting aside the said agreement would be successful and (b) the balance of the Plaintiffs' claim is of doubtful validity.

In December 1984 a counterclaim in an action pending in The Court of Queen's Bench of Alberta was filed by Jerry and Barbara Lupul and Wintergreen Leasing Ltd. claiming damages of $1,020,000, exemplary or punitive damages of $275,000 and costs, and alleging the unlawful appointment of a receiver by the Bank and alleged unlawful acts by the receiver. Counsel have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In October 1985 a counterclaim in an action pending in The Court of Queen's Bench of Alberta was filed against the Bank by ADK Holdings Ltd., Karl Stadler, Susan Stadler, Sandor Seles and Anamaria Seles-Varga claiming damages of up to $8.2 million and alleging failure to advance funds under a commitment, the unlawful appointment of a receiver-manager by the Bank and certain unlawful acts by agents of the receiver-manager and the Bank. The Bank is defending the action; the outcome cannot be determined at this time.

In May 1986, an action was commenced in The Court of Queen's Bench of Alberta by Nissho Corporation claiming recovery of approximately $1,650,000 in respect of the value of certain inventory in the possession of Gainer Medical Canada Ltd. alleged to have been unlawfully seized by a receiver-manager appointed by the Bank. Counsel have advised that based on information available to them the claim is unlikely to succeed against the Bank.

In August 1986 an action was commenced in The Court of Queen's Bench of Alberta by Pangaea Petroleum Limited for special damages of $35,000,000, general damages of $35,000,000, interest and costs. The claim arises out of alleged breaches by the Bank of an agreement with the Plaintiff. A receiver-manager of the Plaintiff has since been appointed; no notification has been received of his intention to continue the action. Based on information available, Counsel have advised that the claim appears to have little merit.

In August 1986 an action was commenced in The Court of Queen's Bench of Alberta by Teachers' Investment and Housing Co-Operative for $1,041,268 and certain other relief. The claim alleges that the Bank was party to a series of transactions resulting in a fraudulent preference in favor of the Bank. Counsel for the Bank have advised that the maximum liability of the Bank would be $100,000.

Printed in Canada
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BANK OF BRITISH COLUMBIA

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Bank of British Columbia will be held in The Holiday Inn, City Centre - Harbourside, 1133 West Hastings Street, Vancouver, British Columbia, on the 8th day of April, 1987, at 10:30 a.m. Pacific Standard Time, for the purposes of:

1. receiving the Financial Statements for the year ended October 31, 1986, and the Auditor's Report thereon;

2. considering, and if approved, passing with or without amendment the following Special Resolution:

   BE IT RESOLVED as a Special Resolution that the following amendment to By-Law No. 1 be confirmed:

   Sub-Section 1.01 (a) of By-Law No. 1 is deleted and the following substituted therefor:

   (a) Number - The number of Directors shall be fixed at not less than five (5) and not more than nine (9) as the Board may from time to time determine."

3. electing Directors;

4. appointing Auditors and fixing their remuneration;

5. transacting such other business as may properly be brought before the Meeting.

Vancouver, British Columbia
March 11, 1987

By Order of the Board

PETER H. STAFFORD
Secretary

Shareholders who are unable to attend the Meeting in person are requested to complete and return the enclosed form of proxy in the envelope provided to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P3 not later than the close of business on Tuesday, April 7, 1987.

BANK OF BRITISH COLUMBIA
MANAGEMENT PROXY CIRCULAR
as of February 28, 1987

SOLICITATION OF PROXIES

This Management Proxy Circular is furnished in connection with the solicitation by management of Bank of British Columbia (the "Bank") of proxies for use at the Annual General Meeting of the Shareholders of the Bank (the "Meeting") to be held on Wednesday, April 8, 1987, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited by employees of the Bank at nominal cost. The cost of this solicitation will be borne by the Bank.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Bank. A Shareholder desiring to appoint some other person to represent him or her at the Meeting may do so either by writing such person's name in the space provided on the form of proxy and deleting the printed names or by completing another proper form of proxy. A person appointed as proxyholder need not be a Shareholder of the Bank. The form of proxy must be signed by the Shareholder, or by his or her attorney authorized in writing.

A Shareholder who has given a proxy may revoke it by an instrument in writing, executed by the Shareholder or by his or her attorney authorized in writing, and deposited at the Head Office of the Bank, 1885 Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia, V7X 1K1 not later than the close of business on the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING OF PROXIES

Shares represented by a properly executed proxy in favour of persons designated in the attached form of proxy will be voted on any ballot which may be held in accordance with the direction contained in the proxy. **In the absence of such direction they will be voted in favour of the Special Resolution confirming the amendment to By-law No.1, the election of the Nominees for Directors, the appointment of Auditors and fixing their remuneration.**

The enclosed form of proxy confers discretionary power on the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment thereof and with respect to amendments to or variations of matters identified in the Notice of Meeting. In order to be valid, proxies must be delivered to The Canada Trust Company, Four Bentall Centre, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1P3 not later than the close of business on Tuesday, April 7, 1987.

A simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of all matters submitted to a vote at the Meeting other than the Special Resolution confirming the amendment to By-law No. 1 which requires a majority of not less than two-thirds of the votes cast by or on behalf of the Shareholders who vote in respect of that resolution.

If a proxyholder, other than those persons named in the enclosed form of proxy, is appointed, the Bank assumes no responsibility in respect of whether or not such proxyholder votes those shares in accordance with instructions.

VOTING RIGHTS

As of February 28, 1987, there were authorized 33,964,324 fully paid and outstanding common shares of the Bank without nominal or par value. Each holder of common shares of record as at the close of business on March 13, 1987, will be entitled to one vote in respect of each share held at that time, except as described below. However, a transferee of those common shares acquired after March 13, 1987, who establishes his ownership of such shares, may require the Bank, not later than ten days prior to the Meeting, to include his or her name on the list of shareholders entitled to vote at the Meeting. The holders of preferred shares are not entitled to vote at the Meeting.

VOTING RESTRICTION

Under the provisions of the Bank Act, common shares of the Bank may not be voted in person or by proxy if

(a) the common shares of the Bank are held by a resident of Canada for the use or benefit of a non-resident of Canada; or

(b) the common shares of the Bank held by the shareholder together with the total number of common shares held for that shareholder and others associated with him or her exceed 10% of the outstanding common shares of the Bank; or

(c) the shareholder holds the common shares of the Bank in the name or right of or for the use or benefit of the Government of Canada, or a Province, or an agent thereof (including an official or corporation administering, managing or investing a fund established to provide compensation, hospitalization, medical care, annuity, pension or similar benefits to particular classes of individuals, or moneys derived from such a fund) or the Government of a foreign state or political subdivision, or an agent thereof.

The foregoing is a summary only. A copy of the revelant sections of the Bank Act will be forwarded to any shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

To the knowledge of the Directors and Senior Officers of the Bank, no shareholder beneficially owns, directly or indirectly, shares carrying more than 10% of the votes attached to the outstanding common shares of the Bank.

ELECTION OF DIRECTORS

Following the Special General Meeting of Shareholders held on January 30, 1987 the Bank was left with an ongoing Board of five directors. It is proposed, subject to the passing of the Special Resolution referred to below, to elect five Directors at the Meeting to serve until the next Annual General Meeting of Shareholders. Unless authority to do so is withheld, the persons named in the accompanying form of proxy intend to vote for the nominees listed below, all of whom are presently Directors. Although the Bank does not contemplate that any of the nominees named below will be unavailable for election, in the event of any vacancies among these nominees, the persons named in the enclosed form of proxy reserve the right to vote in favour of another nominee in their discretion unless otherwise directed.

Set out below is a summary of the record of attendance by Directors at Board and Board Committee meetings during the period from November 1, 1985 to October 31, 1986. During this period, 11 Board meetings were held in Vancouver. Committees of the Board held meetings as follows: Executive (14), Audit (4), Credit (6), and Compensation and Pension (3).

INFORMATION CONCERNING NOMINEES FOR DIRECTORS

Name and Address	Principal Occupation	Director Since	Common Shares Owned (4)	Number of Meetings Attended: Board	Number of Meetings Attended: Board Committees
Russell James Bennett Westbank, B.C.	President McIntosh Centre Ltd. Real Estate, Ranching and Farming	May 8, 1967	41,844	9	-
Arthur John Block Vancouver, B.C.(2)	President A.R. Holdings Ltd. Investment Company	May 6, 1980	1,166	8	6
Wendy Burdon McDonald North Vancouver, B.C.	President and Chairman of the Board B.C. Bearing Engineers Ltd. Bearing and Power. Transmission Company	May 28, 1985	200	7	-
Allan Stuart Olson Edmonton, Alberta (1) (3)	President Stuart Olson Construction Ltd. Construction	Dec 11, 1984	10,250	9	11
Dale George Parker Vancouver, B.C. (1) (2)	Chairman, President and Chief Executive Officer of the Bank	May 28, 1985	500	10	10

The current term of office of each of the above nominees will expire at the Meeting.

(1) Member of the Executive Committee.*
(2) Member of the Credit Committee.*
(3) Member of the Compensation and Pension Committee.*
(4) This column shows the number of common shares beneficially owned, directly or indirectly, or controlled by each of the nominees as reported to the Bank. The nominees do not own or control any preferred shares.

*Information given as at October 31, 1986.

Recent changes in Board of Directors:

Since the last Annual General Meeting two Directors, who were also employees, resigned following the cessation of their employment: Mr. G. E. Hare (April 1, 1986) and Mr. G. L. Farinsky (October 20, 1986). Four outside Directors also resigned for personal reasons during the year: Mr. D. S. Lam (February 23, 1986), Mr. A. W. Everett (April 28, 1986), Mr. A. H. Mitchell (May 27, 1986) and Mr. P. P. Saunders (October 6, 1986). Mr. Lam attended 2 meetings, Mr. Everett 3 meetings and 2 committee meetings, Mr. Mitchell 5 meetings and 3 committee meetings, Mr. Hare 3 meetings, Mr. Farinsky 9 meetings and Mr. Saunders 5 meetings and 13 committee meetings.

Following the sale to Hongkong Bank of Canada the Board of Directors determined that a smaller Board was appropriate and all Directors except the five persons who are nominees for Directors named above, resigned from the Board. Particulars of these Directors and the number of meetings attended by each are set out below:

	Board	Committee
Mr. H. Booth	4	3
Mr. T. A. Buell	11	17
Mr. R. E. Kadlec	10	4
Mr. E. F. Kaiser, Jr.	11	17
Mr. J. C. Kerr	6	14
Mrs B. K. Lecky	5	-
Mr. J. W. Madill	7	3
Mr. B. J. Reynolds	9	4
Mr. J. L. Schlosser	9	11

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank purchased liability insurance for its Directors and Officers in their capacities as Directors and Officers of the Bank. This insurance was in effect from November 1, 1985 to March 3, 1986 at which time the coverage was cancelled by the Insurer. Despite efforts to do so, the Bank has been unable to obtain alternate coverage. The Bank has been advised by its brokers that coverage has been generally unavailable to small financial institutions in North America. The amount of the insurance was $25,000,000 and the amount paid by the Bank as a premium was $22,905 in respect of the policy year from March 3, 1985 to March 3, 1986 and a further $16,525 in respect of a discovery period ended March 3, 1987. No amount of premium was paid by individual Directors and Officers. The policy was subject to a deductible of $2,500 per claim for each Director and

Officer subject to a total deductible not exceeding $7,500 per claim, and a deductible of $50,000 for Bank reimbursement of claims paid by the Bank as a result of indemnifying its Directors and Officers.

Subject to the provisions of the Bank Act and Section 4.02 of By-law No.1 of the Bank, a Director or Officer would be entitled to claim from the Bank any amount paid to settle an action or satisfy a judgment in respect of any action or proceeding to which he or she is a party by reason of being or having been a Director or Officer, except to the extent insurance coverage existed in respect of such claim.

STATEMENT OF DIRECTORS' AND OFFICERS' REMUNERATION FROM THE BANK AND ITS SUBSIDIARIES

	Nature of Remuneration Earned Year Ended October 31, 1986				
	Directors' Fees	Salaries	Bonuses	Others	Total
REMUNERATION OF DIRECTORS (A) Number of directors (22)	$181,333	NIL	NIL	NIL	$181,333
(B) Corporation incurring the expense - The Bank					
REMUNERATION OF OFFICERS (In excess of $75,000 per annum) (A) Number of officers (21)	N/A	$2,004,000	$677,500(1)	$20,000	$2,701,500
(B) Corporation incurring the expense - The Bank					
TOTALS	$181,333	$2,004,000	$677,500	$20,000	$2,882,833

(1) $512,500 represents payments made on or before January 15, 1986 under the Bank's Incentive Plan in respect of the Bank's performance in the fiscal year ended October 31, 1985. $165,000 represents payments made in November, 1986 to compensate certain key officers in recognition of their contribution to the completion of the transaction with Hongkong Bank of Canada.

DIRECTORS' COMPENSATION

Directors (other than Directors who are also employees) are paid a basic fee of $8,000 per annum together with a per diem of $250 for attending meetings of the Board or committees of the Board. Committee chairmen receive an annual fee of $1,000 ($2,000 in the case of the Credit Committee). Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings.

EMPLOYEE COMPENSATION

During the year ended October 31, 1986 the Bank provided the benefits described below to certain employees. All such arrangements ceased at the time of the sale of assets to Hongkong Bank of Canada since virtually all the employees of the Bank became employees of Hongkong Bank of Canada.

Automobile Program

Executive officers were entitled to personal use of a leased automobile. During the year a new program was phased in whereby officers purchased their own automobiles and received a monthly allowance.The total costs of the program in the last fiscal year were approximately $96,914.

Staff Loans

Employees were eligible to borrow from the Bank, subject to satisfying normal credit criteria, at rates ranging from 3% p.a. to normal customer rates. All such loans have been taken over by Hongkong Bank of Canada. Deemed taxable benefits to all executive officers in the last fiscal year pursuant to section 80.4 of the Income Tax Act were $34,322.

Incentive Plan

Following the end of each fiscal year officers and senior management employees were eligible for additional compensation. Amounts were based on a formula in which an individual's salary level and performance rating and the financial performance of the Bank were the significant factors. No amount was or will be paid under this plan in respect of the most recently completed fiscal year.

Termination Arrangements

Under the terms of a five year employment agreement entered into in September, 1984 the Bank was obligated to pay to the former Chairman of the Board, Mr. E. F. Kaiser, Jr., an amount equal to his salary for the unexpired term subsequent to his resignation from the Bank. Mr. Kaiser was also entitled to a lifetime supplemental retirement allowance based on years of service, subject to a maximum of 70% of his final average earnings. Under a termination agreement with Mr. Kaiser his entitlement to a retirement allowance has been waived and the amount payable by the Bank will be less than the amount to which he is entitled to under these agreements.

The President and Chief Executive Officer, Mr. D. G. Parker, in lieu of any claim for compensation for loss of office, entered into a five year employment agreement as President and Chief Executive Officer providing for a reduction in salary of approximately 20%. In addition the Bank purchased an annuity to fund its obligations to Mr. Parker under a supplemental retirement income agreement entered into at the commencement of his employment in May, 1985. The agreement provided for an annual lifetime retirement allowance equal to 2% of his final average earnings for each year of service with the Bank, subject to a maximum of 35 years or 70% of final average earnings. Service with Mr. Parker's previous employer is included for this purpose; however the allowance is reduced by the amount of pension and retirement allowances to be received from such employer.

OPTIONS TO PURCHASE SECURITIES

No options to purchase securities of the Bank or any of its subsidiaries have been granted to any person or corporation since the commencement of the Bank's last completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the commencement of the Bank's last completed financial year, no Director or proposed management nominee for election as a Director or Officer or associate of or corporation controlled by such Director or Officer had any material interest in respect of any matter, direct or indirect, or in any proposed transaction that has materially affected or will materially affect the Bank or any of its subsidiaries.

INDEBTEDNESS OF DIRECTORS

No Person who is a Director or a proposed management nominee for election as a Director is or has been indebted to the Bank or its subsidiaries at any time since November 1, 1985 except loans made on substantially the same terms, including those as to interest rate and collateral, as were available, at the time the loan was made to other customers of the Bank with comparable credit ratings and involving not more than the usual risks of collectability.

INDEBTEDNESS OF OFFICERS

Loans granted under the Bank's Staff Loan program (as described under "Employee Compensation") which are not within the definition of routine indebtedness set out in the proxy regulations under the Bank Act, or the applicable provisions of the Regulation under the Ontario Securities Act, are outlined in the following table.

Under the terms of the sale agreement between the Bank and Hongkong Bank of Canada as of November 27, 1986, all loans to employees were included in the portfolio of loans sold to Hongkong Bank of Canada. Consequently none of the loans described below are presently outstanding to the Bank.

Name and Municipality of Residence	Maximum Indebtedness During Year Ended October 31, 1986
W. H. Adams, San Francisco	$249,654
E. V. Andrusiak, Edmonton	$158,673
H. J. Bow, North Vancouver	$ 47,971
R. J. Buchanan, Calgary	$ 99,654
A.K.C.Ee, Burnaby	$ 79,918
W. A. Franklin, North Vancouver	$ 32,016
P. A. Pepin, North Vancouver	$177,654
L. G. Spitz, North Vancouver	$140,431
P. H. Stafford, Vancouver	$283,082
J. D. Stoddart, North Vancouver	$159,848
J. A. Thomas, North Vancouver	$159,668
P. E. Villeneuve, Richmond	$195,371
G. R. Wallace, West Vancouver	$151,829

AUDITORS

The Bank Act requires the Shareholders of the Bank to appoint at each Annual General Meeting two qualified firms of auditors to act as Auditors of the Bank until the next Annual General Meeting.

It is intended that proxies which are received pursuant to this solicitation will be voted for the appointment of Peat, Marwick, Mitchell & Co. and Thorne, Ernst & Whinney as Auditors of the Bank, to hold such office until the next Annual General Meeting of Shareholders at a remuneration to be fixed by the Shareholders.

During the past five financial years Peat, Marwick, Mitchell & Co. were appointed auditors in 1984, 1985 and 1986; Thorne, Riddell in 1982, 1983, and 1986; and Deloitte Haskins & Sells in 1982, 1983, 1984 and 1985, in accordance with the rotation required by the Bank Act.

PENDING LEGAL MATTERS

The Bank is subject to a number of legal actions arising in the normal course of its business. The Appendix to this Circular contains particulars of those actions that at the present time may be considered to be material.

SPECIAL RESOLUTION

As stated in the Management Information Circular dated December 12, 1986 sent to shareholders in connection with the Special Meeting on January 30, 1987 the powers of the Bank are limited to actions incidental to the winding up of the Bank. In light of the restricted scope of the Board's activities and in order to reduce the ongoing administration costs, the Board concluded that a smaller Board would be in the best interests of shareholders. Under the Bank Act a minimum of five directors is required. The present By-law contemplates a Board of between 15 and 30 directors. The Special Resolution set out in the Notice of Meeting would amend By-law no 1 by reducing the number to between 5 and 9 directors.

OTHER BUSINESS

The management of the Bank knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. It should be noted, however, that the enclosed form of proxy is a discretionary proxy and if any other matter should properly come before the Meeting, the shares represented by the enclosed form of proxy will be voted by the persons named therein on such other matters in accordance with their best judgment.

The Board of Directors has approved the content and sending of this Management Proxy Circular on or about March 17, 1987.

Peter H. Stafford
Secretary

APPENDIX

PARTICULARS OF MATERIAL LITIGATION

In August 1983 a counterclaim in an action pending in the Court of Queen's Bench of Alberta was filed by E.A. Kutryk Industries Ltd. for damages of $3,000,000 and costs. The claim arises out of the alleged breach of a corporate banking agreement and wrongful appointment of a receiver-manager. Counsel for the Bank have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In August 1983 an action was commenced in The Court of Queen's Bench of Alberta by George Lapierre & Propane Engineering Services Ltd. claiming general damages of $5,000,000, special damages and costs. The claim is based on alleged fraudulent acts on the part of and false affidavits sworn by or on behalf of the Bank. The Bank is defending the action and the outcome cannot be determined at this time.

In November 1983 the Bank was joined by the Royal Bank of Canada as a fourth party by counterclaim in an action brought in the Court of Queen's Bench of Alberta by S. Monaco & Associates Ltd. and another against A. Ninji for payment of $3,150,000, interest and costs. The claim is based on an alleged representation by the Bank that it had opened a letter of credit. A total of 11 parties is involved. Counsel for the Bank have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In November 1984 an action was commenced in The Court of Queen's Bench of Alberta by William Steinberg, William Friedman and three companies associated with one or the other of them. The defendants are the Bank and Ormskirk Investments Ltd. The Plaintiffs seek judgement for $61 million, an order setting aside an agreement between the Bank and Ormskirk Investments Ltd. relating to the sale by the Bank to Ormskirk of certain real estate and a portfolio of non-performing loans owed to the Bank, including loans owed by the Plaintiffs, and certain other relief. The action arises out of the said sale which was allegedly made in breach of certain agreements between the Bank and the Plaintiffs to restructure the loans. Counsel for the Bank have advised that, in their opinion, based on their review of certain of the Bank's documents relating to the Plaintiffs' dealings with the Bank and interviews with key Bank personnel involved in such dealings, (a) it is highly unlikely that the Plaintiffs' claim for an order setting aside the said agreement would be successful and (b) the balance of the Plaintiffs' claim is of doubtful validity.

In February 1984 an action was commenced in The Court of Queen's Bench of Alberta by Munzell Properties Ltd. claiming damages of $2,500,000, general damages of $1,300,000 and costs.

.../2.

The claim is based on the alleged breach by the Bank of a commitment to provide financing to the Plaintiff. Counsel have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In December 1984 a counterclaim in an action pending in The Court of Queen's Bench of Alberta was filed by Jerry and Barbara Lupul and Wintergreen Leasing Ltd. claiming damages of $1,020,000, exemplary or punitive damages of $275,000 and costs, and alleging the unlawful appointment of a receiver by the Bank and alleged unlawful acts by the receiver. Counsel have advised that, on the basis of information available to them, the claim is unlikely to succeed.

In October 1985 a counterclaim in an action pending in the Court of Queen's Bench of Alberta was filed against the bank by ADK Holdings Ltd., Karl Stadler, Susan Stadler, Sandor Seles and Anamaria Seles-Varga claiming damages of up to $8.2 million and alleging failure to advance funds under a commitment, the unlawful appointment of a receiver-manager by the Bank and certain unlawful acts by agents of the receiver-manager and the Bank. Based on information available Counsel have advised that the claim appears to have little merit.

In May 1986, an action was commenced in The Court of Queen's Bench of Alberta by Nissho Corporation claiming recovery of approximately $1,650,000 in respect of the value of certain inventory in the possession of Gainer Medical Canada Ltd. alleged to have been unlawfully seized by a receiver-manager appointed by the Bank. Counsel have advised that based on information available to them the claim is unlikely to succeed against the Bank.

In August 1986 an action was commenced in The Court of Queen's Bench of Alberta by Pangaea Petroleum Limited for special damages of $35,000,000, general damages of $35,000,000, interest and costs. The claim arises out of alleged breaches by the bank of an agreement with the Plaintiff. A receiver-manager of the Plaintiff has since been appointed; no notification has been received of his intention to continue the action. Based on information available, Counsel have advised that the claim appears to have little merit.

In August 1986 an action was commenced in The Court of Queen's Bench of Alberta by Teachers' Investment and Housing Co-Operative for $1,041,268 and certain other relief. The claim alleges that the Bank was party to a series of transactions resulting in a fraudulent preference in favor of the Bank. Counsel for the Bank have advised that the maximum liability of the Bank would be $100,000.

NOTES

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BANK OF BRITISH COLUMBIA

March 11, 1987

Dear Shareholder,

Enclosed is your copy of the Bank's Financial Statements for the fiscal year ended October 31, 1986, together with the report of the Auditors thereon.

Financial institutions operating in Western Canada continued in 1986 to experience the effects of the prolonged economic downturn in the Western provinces. Lower resource and commodity prices, oil and gas in particular, contributed to a fall back in real estate values, an increase in business failures and, as a result, in the Bank's non-performing loans and loan loss experience.

The collapse in late 1985 of two small Western based banks and the merger of a third, resulted in concern among depositors and investors.

Early in 1986 the Bank required temporary funding from the Bank of Canada with borrowings reaching a peak of $975 million during the second quarter of fiscal 1986.

In response to these difficulties the Bank initially adopted a strategy of seeking a potential purchaser or merger partner. However, this was not successful and the Bank decided in the second quarter of 1986 to consolidate its operations in order to focus its efforts and resources on the established and profitable parts of its business. Two international offices were closed and two scaled down; 19 domestic branches were closed and head office staff reduced by approximately 25%.

The Bank's capital and reserves amounted to approximately $224.3 million at the beginning of fiscal 1986. The combined effect of the high levels of loan loss experience and the loss for the year described above reduced capital and reserves to $75.4 million (or $1.15 per common share) by year-end.

Since November 27, 1986 the Bank's activities have been confined to those incidental to a winding-up of its affairs. An Interim Report on the operations of the Bank for the quarter ended January 31, 1987 is being released concurrently with this letter and its enclosures.

Yours truly.

Dale G. Parker
Chairman, President and
Chief Executive Officer

BANK OF BRITISH COLUMBIA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 1986

Auditors' Report

Consolidated Statement of Assets and Liabilities

Consolidated Statement of Income

Consolidated Statement of Appropriations for Contingencies

Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statement of Changes in Financial Position

Notes to Consolidated Financial Statements

AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK OF BRITISH COLUMBIA

We have examined the consolidated statement of assets and liabilities of Bank of British Columbia as at October 31, 1986 and the consolidated statements of income, appropriations for contingencies, changes in shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1986 and the results of its operations and the changes in financial position for the year then ended in accordance with prescribed accounting principles and on the basis of presentation described in Note 1.

Vancouver, Canada
January 30, 1987

Peat, Marwick, Mitchell & Co.
Thorne Riddell
Chartered Accountants

BANK OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
AS AT OCTOBER 31
(in thousands of dollars)

ASSETS

	1986	1985
Cash resources:		
Cash and deposits with Bank of Canada	$ 43,124	$ 69,061
Deposits with other banks	30,998	43,060
Cheques and other items in transit, net	20,063	3,067
	94,185	115,188
Securities (Note 3):		
Issued or guaranteed by Canada	173,109	151,927
Issued or guaranteed by provinces and municipal or school corporations	3,057	1,741
Other securities	19,422	66,426
	195,588	220,094
Loans (Note 4):		
Loans to banks	18,707	48,583
Mortgage loans	433,078	404,163
Other loans (Note 5)	1,851,877	2,312,046
	2,303,662	2,764,792
Other:		
Customers' liability under acceptances (Note 6)	100	7,900
Land, buildings and equipment (Note 7)	28,512	36,501
Other assets (Note 8)	52,723	106,012
	81,335	150,413
	$2,674,770	$3,250,487

LIABILITIES

	1986	1985
Deposits (Note 10):		
Payable on demand	$ 114,819	$ 183,517
Payable after notice	745,302	831,787
Payable on a fixed date	1,182,230	1,879,076
	2,042,351	2,894,380
Other:		
Advances from Bank of Canada	429,000	-
Acceptances (Note 6)	100	7,900
Liabilities of subsidiaries, other than deposits (Note 11)	57,493	71,759
Other liabilities (Note 12)	60,111	41,795
	546,704	121,454
Subordinated debt:		
Bank debentures (Note 13)	10,319	10,335

CAPITAL & RESERVES

	1986	1985
Appropriations for contingencies	(146,309)	(70,784)
Shareholders' equity:		
Capital stock (Note 14):		
$2.28 cumulative redeemable preferred shares, Series A	16,470	17,070
$2.22 cumulative redeemable preferred shares, Series B	20,000	20,000
Common Shares	244,870	244,870
Retained Earnings (deficit)	(59,635)	13,162
	75,396	224,318
	$2,674,770	$3,250,487

D.G. Parker Chairman, President and Chief Executive Officer	A.J. Block Director	A.S. Olson Director

BANK OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED OCTOBER 31
(in thousands of dollars)

	1986	1985
Interest and dividend income:		
Loans	$290,479	$310,215
Lease financing	6,717	4,787
Securities	7,696	18,555
Deposits with banks	574	4,073
Total interest and dividend income	305,466	337,630
Interest expense:		
Deposits	170,452	245,568
Bank debentures	1,050	1,295
Other	44,784	3,164
Total interest expense	216,286	250,027
Net interest income	89,180	87,603
Provision for loan losses	30,174	16,109
Net interest income after loan loss provision	59,006	71,494
Other income	22,992	26,713
Net interest and other income	81,998	98,207
Non-interest expenses:		
Salaries	43,526	49,964
Pension and other staff benefits	5,468	2,336
Premises and equipment expenses, including depreciation	18,974	16,382
Other	16,830	20,985
Total non-interest expenses	84,798	89,667
Net income (loss) before provision for income taxes	(2,800)	8,540
Provision for income taxes (Note 15)	1,597	1,013
Net income (loss) before extraordinary items	(4,397)	7,527
Extraordinary items (Note 16)	(65,973)	-
Net income (loss) after extraordinary items	$(70,370)	$ 7,527
Net income (loss) applicable to common shares (Note 17)		
Before extraordinary items	$(7,691)	$ 4,187
After extraordinary items	$(73,664)	$ 4,187
Net income (loss) per common share - in dollars (Note 17)		
Before extraordinary items	$(0.23)	$0.14
After extraordinary items	$(2.17)	$0.14

BANK OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF APPROPRIATIONS FOR CONTINGENCIES
FOR THE YEAR ENDED OCTOBER 31
(in thousands of dollars)

	1986	1985
Balance at beginning of year:		
Tax allowable	$(81,042)	$(60,466)
Tax paid	10,258	16,679
	(70,784)	(43,787)
Changes during year:		
Provision for loan losses included in the Consolidated Statement of Income	30,174	16,109
Loss experience on loans	(105,699)	(36,106)
Transfer to retained earnings	-	(7,000)
	(75,525)	(26,997)
Balance at end of year:		
Tax allowable	(156,716)	(81,042)
Tax paid	10,407	10,258
	$(146,309)	$(70,784)

BANK OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED OCTOBER 31
(in thousands of dollars)

	1986	1985
Capital stock (Note 14):		
Balance at beginning of year:		
Preferred shares, Series A	$ 17,070	$ 17,670
Preferred shares, Series B	20,000	20,000
Common shares	244,870	72,225
	281,940	109,895
Changes during year:		
Issued: common shares - for cash	-	167,824
- for stock dividend	-	4,821
Purchased for cancellation - preferred shares, Series A	(600)	(600)
	(600)	172,045
Balance at end of year:		
Preferred shares, Series A	16,470	17,070
Preferred shares, Series B	20,000	20,000
Common shares	244,870	244,870
	$281,340	$281,940
Retained earnings (deficit):		
Balance at beginning of year	$ 13,162	$ 8,655
Net income (loss)	(70,370)	7,527
Dividends - preferred shares, Series A	(1,136)	(1,557)
- preferred shares, Series B	(1,332)	(1,776)
- common shares	-	(4,847)
Transfer from appropriations for contingencies	-	7,000
Expenses related to issues of common shares, net of income taxes	-	(1,764)
Other	41	(76)
Balance at end of year	$(59,635)	$ 13,162

BANK OF BRITISH COLUMBIA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED OCTOBER 31
(in thousands of dollars)

	1986	1985
Source of cash:		
Operations:		
Net income	$ (70,370)	$ 7,527
Items included in net income not requiring the use of funds:		
Provision for loan losses	30,174	16,109
Depreciation & write-off of fixed assets	9,404	4,229
Amortization & write-down of other assets	1,175	382
Deferred income taxes	36,781	(472)
Total from operations	7,164	27,775
Other items:		
Decrease in:		
Deposits with other banks	12,062	103,020
Securities	24,506	19,237
Loans, net	476,255	-
Other assets	20,473	-
Increase in:		
Advances from Bank of Canada	429,000	-
Deposits	-	1,991
Other liabilities	13,047	-
Liabilities of subsidiaries, other than deposits	-	71,759
Capital stock issues	-	167,824
Other	124	180
Total source of cash	982,631	391,786
Use of cash:		
Loss experience on loans	105,699	36,106
Other items:		
Increase in:		
Cheques and other items in transit, net	16,996	10,733
Loans, net	-	271,613
Lease financing	15,125	3,065
Land, buildings and equipment	1,415	8,868
Other assets	-	38,360
Decrease in:		
Deposits	852,029	-
Liabilities, of subsidiaries, other than deposits	14,266	-
Other liabilities	-	2,388
Dividends, other than stock dividends	2,468	3,359
Retirement of Bank debentures	16	3,013
Redemption of preferred shares	554	552
Share issue expenses, net of income taxes	-	1,764
Other	-	304
Total use of cash	1,008,568	380,125
Increase (decrease) in cash and deposits with Bank of Canada	(25,937)	11,661
Cash and deposits with Bank of Canada, beginning of year	69,061	57,400
Cash and deposits with Bank of Canada, end of year	$ 43,124	$ 69,061

BANK OF BRITISH COLUMBIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 1986

1. BASIS OF PRESENTATION:

On November 27, 1986, by the terms of the Bank of British Columbia Business Continuation Act, (the Special Act), Bank of British Columbia (the "Bank") disposed of 98.6% of its assets to Hongkong Bank of Canada for a purchase price of $2,636,128,000 which was satisfied by the payment of $63,535,000 and the assumption of liabilities as to the balance. In the course of the negotiations leading to the sale, the parties agreed to the values of the assets and liabilities being disposed of, which values have been used in the preparation of these financial statements.

The assets and liabilities retained by the Bank have been stated at their estimated net realizable values in the course of an orderly liquidation over time.

The condensed consolidated balance sheet of the Bank (in thousands of dollars) at November 30, 1986, after giving effect to the disposition of assets, is presented below.

Cash held in trust	$63,535
Loans and other assets	34,424
	$97,959
Other liabilities	22,563
Capital and reserves	75,396
	$97,959

At October 31, 1985 the Bank was a going concern and the results of that year are not comparable with those for 1986. (See also Note 2, Prescribed Accounting Principles; Note 20, Contingent Liabilities).

2. PRESCRIBED ACCOUNTING POLICIES:

The Bank Act and the rules and regulations issued thereunder by the Minister of Finance prescribe the form and content of the Bank's financial statements, as well as most of the accounting policies. The prescribed accounting policies followed by the Bank in determining net income conform in all material respects with generally accepted accounting principles except for the accounting for losses on loans and the deferral of gains and losses on the disposal of fixed maturity debt securities held in the investment account, as required by the above mentioned rules and regulations.

The significant prescribed accounting policies followed by the Bank are summarized below:

(a) Basis of consolidation:

The assets and liabilities and results of operations of the Bank and its subsidiaries are reported in the financial statements on a consolidated basis. The subsidiaries are as follows:

Canadian: Bank of British Columbia Mortgage Corporation
Bank of British Columbia Financial Services Corporation
BBC Investments Ltd.
BBC Realty Investments Limited
BBC Realty Ltd.
WestBank Leasing Limited
REIT Properties Ltd.

Foreign: Bank of British Columbia (International) Limited
British Columbia Financial Corp. (H.K.) Limited

(b) Securities:

Securities held for trading purposes are carried at market value. Realized gains and losses and unrealized valuation adjustments to market are recorded in current income.

Securities held for investment purposes are carried at cost, with the exception of those securities issued or guaranteed by the Government of Canada or the provinces which are carried at cost, adjusted for amortization of premiums and discounts. Any provision for permanent impairment in value of investment securities is recognized through a charge to current income.

Gains and losses resulting from disposals of fixed maturity debt securities held in the investment account, other than treasury bills, are deferred and amortized to income over five years on the straight-line basis. The unamortized portion was taken into income at October 31, 1986 in conjunction with the policy of stating assets at their estimated net realizable values in the course of an orderly liquidation over time. Gains and losses resulting from disposals of other securities, including treasury bills, held in the investment account are recorded in current income.

2. PRESCRIBED ACCOUNTING POLICIES (continued):

(b) Securities (continued):

The income effects of the amortization of premiums and discounts, the gains and losses on the disposal of securities and the adjustments to the valuations of both investment and trading account securities are recorded in Income from Securities in the Consolidated Statement of Income.

(c) Loans:

Loans are recorded at the principal amount less unearned income, where applicable, and specific and general provisions for losses.

Interest income is recorded on the accrual basis until such time as a loan is classified as non-accrual. Loans are placed on a non-accrual basis whenever there is, in the opinion of management, reasonable doubt as to the ultimate collectibility of some portion of principal or interest or when interest on a loan is due and has not been collected for a period of 90 days, unless senior credit management determines there is no reasonable doubt as to the ultimate collectibility of principal and interest. The amount of this overdue interest is charged against current year's income. Interest income on non-accrual loans is recorded on a cash basis.

(d) Direct finance leases:

Direct finance leases are included in Other Loans in the Consolidated Statement of Assets and Liabilities. The gross lease receivable and the unearned lease income are recorded at the time a lease transaction is executed. The unearned lease income is taken into income over the lease term in amounts directly related to the balance of the net investment in the lease.

(e) Loan losses:

Actual loan loss experience for the year, which consists of net changes in specific and general provisions for losses less recoveries on loans previously written off, is charged directly to appropriations for contingencies. A provision for future loan losses is charged to income and credited to appropriations for contingencies annually. The amount of this provision is determined by calculating the ratio of the last five years of loan loss experience to the last five years of eligible loans and applying this ratio to the outstanding eligible loans at the end of the current year.

2. PRESCRIBED ACCOUNTING POLICIES (continued):

(e) Loan losses (continued):

As a consequence of the financial restructuring completed during 1985 and following consultation with the Inspector General of Banks, commencing in 1985 the rules for the determination of the provision for future loan losses, to be charged to income and credited to appropriations for contingencies, are being applied using the ratio of loan loss experience to eligible loans for the years 1982 to 1984 similar to the ratio experienced by the Bank in the years prior to 1982. This is accomplished by replacing the actual loan loss experience for the years 1982 through 1984 in the five year average provision formula with amounts representing normalized loan loss experience of 0.40% of eligible loans.

(f) Appropriations for contingencies:

Appropriations for contingencies consists of two elements - tax-allowable and tax-paid. The tax-allowable portion consists of provisions for loan losses charged to income plus discretionary transfers from retained earnings less the unconsolidated Bank actual loan loss experience. Transfers to tax-allowable appropriations for contingencies including transfers from retained earnings, are made on a tax-deductible basis. The limit on the tax-allowable appropriations is known as Prescribed Aggregate Reserve, and is calculated by applying a percentage, determined by regulation, to eligible assets net of specific and general provisions for losses relating to such assets (1 1/2% of the first $2 billion and 1% of the excess thereof).

The tax-paid portion of appropriations for contingencies reflects the net of actual loan loss experience and provisions for loan losses as they relate to consolidated subsidiaries, and discretionary transfers to or from retained earnings on which taxes have been provided.

(g) Depreciation:

Depreciation is provided for on the straight-line basis over the estimated useful life of the asset. Gains and losses on disposal of fixed assets are reported in the Consolidated Statement of Income.

(h) Translation of foreign currencies:

Assets and liabilities in foreign currencies are translated into Canadian dollars at the prevailing year-end rates; revenues and expenses are translated at prevailing month-end rates. Realized and unrealized gains and losses from transactions in and translations of foreign currencies are reported in Other Income in the Consolidated Statement of Income, except for unrealized gains and losses on investments in foreign subsidiaries which are credited or charged to retained earnings net of income taxes.

3. Securities:
(in thousands of dollars)

	Maturities						Total	
	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	No Specific Maturity	1986	1985
Investment account securities:								
Securities issued or guaranteed by: Canada	$58,167	$ -	$ -	$2,065	$ -	$ -	$60,232	$151,927
Provinces	-	-	-	-	-	-	-	994
Other securitites:								
Debt Securities:								
Income debentures	100	125	-	-	-	-	225	2,240
Small business development bonds	-	7,807	-	-	-	-	7,807	6,790
Other Canadian issuers	-	-	-	-	-	-	-	3,000
Issuers other than Canadian	-	-	-	-	-	-	-	64
Equity securities:								
Term preferred shares	343	3,623	685	1,713	2,056	-	8,420	49,060
Other Canadian issuers	-	-	-	-	-	2,970	2,970	5,162
Total investment account securities	$58,610	$11,555	$685	$3,778	$2,056	$2,970	79,654	219,237
Trading account securities:								
Securities issued or guaranteed by: Canada							112,877	-
Provinces							3,057	747
Other securities							-	110
Total trading account securities							115,934	857
TOTAL SECURITIES							$195,588	$220,094

4. LOANS:
(in thousands of dollars)

The Bank has two categories of non-performing loans: non-accrual loans (Note 2 (c)) and renegotiated reduced rate loans which are loans where the terms have been modified to provide for a reduction in the interest rate due to the weakened financial condition of the borrower.

	1986			1985		
	Domestic	International	Total	Domestic	International	Total
Current Loans:						
Banks	$ -	$ 18,501	$ 18,501	$ -	$ 47,667	$ 47,667
Mortgages	423,484	-	423,484	399,195	-	399,195
Other Loans	1,595,642	231,532	1,827,174	1,818,295	455,042	2,273,337
Provisions for Losses	(4,483)	(42,800)[1]	(47,283)	(4,720)	(8,200)[1]	(12,920)
Net Current Loans	2,014,643	207,233	2,221,876	2,212,770	494,509	2,707,279
Non-Performing Loans:						
Non-accrual loans	137,119	6,362	143,481	90,332	6,235	96,567
Renegotiated reduced rate loans	-	-	-	1,000	-	1,000
Provision for losses	(60,482)	(1,213)	(61,695)	(36,967)	(3,087)	(40,054)
Net non-performing loans	76,637[2]	5,149	81,786	54,365[2]	3,148	57,513
Total Loans	$2,091,280	$212,382	$2,303,662	$2,267,135	$497,657	$2,764,792

(1) The Bank maintains a general provision for losses against sovereign risk loans made to certain countries which have encountered difficulty in servicing their debt or have required debt restructuring during the past few years. The general provision at October 31, 1986 amounted to $42,800,000 (1985 - $8,200,000) which represents approximately 38.0% (1985 - 7.6%) of the sovereign risk loans outstanding to these countries which are subject to rescheduling.

(2) Net non-accrual consumer loans amounted to $2,963,341 at October 31, 1986 (1985-$4,293,000).

5. OTHER LOANS:
(in thousands of dollars)

	1986	1985
Direct finance leases	$ 61,919	$ 46,794
Consumer loans	291,088	367,599
Loans in currencies other than Canadian	313,041	544,863
Demand and other loans in Canadian currency	1,185,829	1,352,790
	$1,851,877	$2,312,046

6. ACCEPTANCES, GUARANTEES AND LETTERS OF CREDIT:
(in thousands of dollars)

The Bank issues acceptances and letters of credit, and guarantees the payment of certain liabilities of customers, and has recourse against those customers with respect to any payments made on all of these commitments. Acceptances are reported as a liability and an offsetting asset in the Consolidated Statement of Assets and Liabilities. Guarantees and letters of credit are not reported in the Consolidated Statement of Assets and Liabilities but have been detailed below:

	1986	1985
Guarantees	$51,261	$ 63,827
Letters of credit	30,210	57,968
	$81,471	$121,795

7. LAND, BUILDINGS AND EQUIPMENT:
(in thousands of dollars)

	Cost	Accumulated Depreciation	Net Book Value 1986	Net Book Value 1985
Land	$12,385	$ -	$12,385	13,185
Buildings	1,965	456	1,509	2,578
Computer equipment	12,233	6,019	6,214	7,662
Furniture, fixtures and equipment	10,149	7,714	2,435	5,043
Leasehold improvements	13,272	7,303	5,969	8,033
	$50,004	$21,492	$28,512	$36,501

8. OTHER ASSETS:
(in thousands of dollars)

	1986	1985
Accrued interest receivable	$19,401	$ 25,589
Deferred income taxes	-	31,641
Real property other than Bank premises	20,403	25,942
Income producing property	5,850	17,651
Sundry, including accounts receivable	7,069	5,189
	$52,723	$106,012

9. GEOGRAPHICAL DISTRIBUTION OF ASSETS BY LOCATION OF ULTIMATE RISK:
(in thousands of dollars)

	1986		1985	
	Amount	Percent	Amount	Percent
Canada	$2,419,475	90.4	2,799,034	86.1
United States	135,590	5.1	154,289	4.8
Europe	20,175	.8	78,207	2.4
Middle East and Africa	89	-	133	-
Asia/Pacific	26,474	1.0	91,822	2.8
Latin America and Caribbean:				
Brazil	28,437	1.0	55,327	1.7
Mexico	37,071	1.4	61,791	1.9
Other	7,459	.3	9,884	0.3
	72,967	2.7	127,002	3.9
Total assets	$2,674,770	100.0	$3,250,487	100.0

The countries noted separately above represent those countries to which more than 1% of the Bank's risk assets are attributable at October 31, 1986. Risk assets for this purpose are defined as deposits with other banks, securities, loans (excluding mortgages) and customers liability under acceptances. As at October 31, 1986 risk assets totalled $2,097 million (1985 - $2,632 million).

10. DEPOSITS:
(in thousands of dollars)

	1986	1985
Deposits by Canada	$ 115,695	$ 50,159
Deposits by provinces	250,007	110,130
Deposits by banks	54,023	368,527
Deposits by individuals	1,247,056	1,352,912
Other deposits	375,570	1,012,652
	$2,042,351	$2,894,380

11. LIABILITIES OF SUBSIDIARIES, OTHER THAN DEPOSITS:
(in thousands of dollars)

	1986	1985
Bank of British Columbia Financial Services Corporation:		
Guaranteed floating rate notes (30 day Bankers' Acceptance rate plus 0.25%), retractable at the option of the holder in August, 1988 and maturing in August, 1990	$57,000	$60,000
Guaranteed fixed rate notes bearing interest at rates from 11.25% to 12.5% payable in various amounts to 1989	493	11,759
	$57,493	$71,759

12. OTHER LIABILITIES:
(in thousands of dollars)

	1986	1985
Accrued interest payable	$18,151	$27,217
Accounts payable and accrued expenses	36,691	14,578
Deferred income taxes	5,269	-
	$60,111	$41,795

13. BANK DEBENTURES:
(in thousands of dollars)

	1986	1985
7 1/2% sinking fund debentures, maturing November, 1991	$ 319	$ 335
10 1/4% debentures, redeemable at the Bank's option until maturity in May, 1989	10,000	10,000
	$10,319	$10,335

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors.

14. CAPITAL STOCK:

Authorized:

Preferred shares - 3,000,000 shares without nominal or par value, issuable in series for an aggregate consideration not exceeding $75,000,000

Common shares - an unlimited number of shares without nominal or par value, issuable for an aggregate consideration not exceeding $500,000,000

Outstanding:
(in thousands of dollars)

	1986		1985	
	Number of shares	Amount	Number of shares	Amount
Preferred shares, Series A:				
At beginning of year	682,800	$ 17,070	706,800	$ 17,670
Purchased for cancellation	(24,000)	(600)	(24,000)	(600)
At end of year	658,800	16,470	682,800	17,070
Preferred shares, Series B:				
At beginning and end of year	800,000	20,000	800,000	20,000
Common shares:				
At beginning of year	33,964,324	244,870	5,169,526	72,225
Issued for cash	-	-	27,970,713	167,824
Stock dividend	-	-	824,085	4,821
At end of year	33,964,324	244,870	33,964,324	244,870
Total capital stock		$281,340		$281,940

Share rights and privileges:

Preferred shares, Series A:

These shares are redeemable at the option of the Bank at $26.50 per share declining annually by $0.50 per share to $25.00 per share after October 30, 1988.

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter 6,000 of the outstanding preferred shares, Series A at prices not exceeding $25.00 per share.

Preferred shares, Series B:

These shares are redeemable at the option of the Bank at any time on or after July 1, 1988 at $26.20 per share declining annually thereafter by $0.30 per share to $25.00 per share after July 1, 1992. These shares are retractable at the option of the holder on June 1, 1995 at $25.00 per share.

Share rights and privileges (cont.):

The Bank has undertaken to make all reasonable efforts to purchase for cancellation in each calendar quarter at prices not exceeding $25.00 per share the following number of these shares:

(a) during the period commencing July 1, 1988 and ending June 30, 1995, 6,000 preferred shares, Series B; and

(b) commencing July 1, 1995 and thereafter, 0.75% of the number of preferred shares, Series B outstanding on June 30, 1995.

This obligation is cumulative only within each calendar year.

Dividends, Preferred shares, Series A and Series B

The Directors of the Bank have decided not to declare or pay the regular quarterly dividends on the preferred shares, Series A and the preferred shares, Series B otherwise due on December 15, 1986 and December 1, 1986, respectively and do not expect to declare or pay any further dividends.

Common shares:

The Bank is presently required to consult with, and receive the consent of, the Inspector General of Banks prior to the payment of a cash dividend on the common shares until such time as the deficit in appropriations for contingencies has been eliminated. This requirement is subject to review by the Inspector General of Banks.

15. INCOME TAXES:
(in thousands of dollars)

The provision (credit) for income taxes recorded in the Consolidated Statement of Income represents income taxes applicable to the income or loss reported therein.

Income taxes recorded in retained earnings represent the income tax effect related to the tax deductible transfer from retained earnings to appropriations for contingencies, to loan loss experience of subsidiaries, to share issue expenses and to unrealized exchange gains on investments in foreign subsidiaries.

Provision (credit) for income taxes:

	1986	1985
Consolidated Statement of Income:		
Current	$ 666	$ 1,485
Deferred	931	(472)
	1,597	1,013
Extraordinary item (Note 16):		
Deferred	35,850	-
Retained earnings:		
Deferred	129	(1,479)
	$37,576	$ (466)

16. EXTRAORDINARY ITEMS:

The extraordinary items of $65,973,000 reported in the Consolidated Statement of Income are comprised of the following:

i) Discontinuance and restructuring of the Bank's operations.

In the second quarter of 1986 the Bank made the decision to consolidate its domestic operations and to close or dispose of those operations which were marginal or unprofitable. As a result the Bank closed 19 branches in Manitoba, Saskatchewan and Alberta. In addition the offices in Los Angeles and London were closed and the operations in San Francisco and Hongkong significantly reduced in size. The total costs related to this decision were estimated to be $20,909,000 and reported as an extraordinary item in the second quarter. In the third quarter, this estimate was reduced by $1,000,000. At the year end, taking into account the cost of the sale of virtually all of its assets to the Hongkong Bank of Canada, the Bank further revised these estimates and increased the overall provision to $22,123,000.

ii) Deferred income taxes.

At October 31, 1985 the Bank had recognized, as an asset on its balance sheet, $35,850,000 of deferred income taxes. This asset represented unutilized discretionary deductions which could be used in future years to reduce taxes otherwise payable in those years. In light of the Bank's loss in 1986 and the projections for 1987 and beyond, it became apparent that it was unlikely there would be sufficient taxable income generated in the future to utilize these tax deductions. The deferred income tax debits amounting to $35,850,000 were therefore written off to income in 1986.

iii) Contingent liabilities.

A provision for contingent liabilities, as discussed in note 20, has been established in the amount of $8,000,000.

17. NET INCOME (LOSS) PER COMMON SHARE:

Net income (loss) per common share has been calculated on the daily weighted average number of common shares outstanding after giving retroactive effect to stock dividends (1986 - 33,964,324; 1985 - 29,554,940) and after giving effect to the preferred share dividend obligations for the year.

18. LONG-TERM COMMITMENTS FOR LEASES:

Rental expense for premises for the year ended October 31, 1986 was $6,663,000 (1985 - $6,784,000). Minimum future rental commitments for premises under long-term leases are shown below. The Bank has no lease commitments which extend beyond 2007.

(in thousands of dollars)

1987	$ 7,133
1988	6,875
1989	6,326
1990	5,595
1991	4,429
1992 and thereafter	51,620

19. PENSION PLAN:

The Bank's employee pension plan (the "Plan") was amended at January 1, 1986 from a defined benefit plan to a combination plan which now provides benefits to participants on a money purchase basis with a defined minimum benefit guaranteed.

The actuarial valuation of the Plan as at January 1, 1986 indicated an excess of the actuarial value of the assets over actuarial liabilities of $21,876,000. As a result the Bank requested and received permission from the Superintendent of Insurance and Revenue Canada to withdraw funds from the pension fund surplus. Upon receipt of the approval from the Superintendent of Insurance the Bank recognized $10,429,000 of income (net of income taxes of $11,447,000) in its quarter ended April 30, 1986. Shortly after the Bank obtained the approval of the Superintendent of Insurance, certain judicial developments in the area of pension plans intervened and the trustee of the Plan asked for further assurances before agreeing to release any of the surplus. Subsequent to the end of the Bank's fiscal year, the Superintendent of Insurance, in view of the intervening jurisprudence, revoked his previous approval and advised the Bank that it would be allowed to reapply to withdraw the surplus in accordance with new guidelines. This resulted in the Bank reversing in the fourth quarter the amount previously recorded.

As at October 31, 1986, the date of the latest actuarial review, the actuarial value of the assets of the Plan exceeded the actuarial liabilities by $23,099,000.

20. CONTINGENT LIABILITIES:

The Bank is subject to a number of legal actions in the normal course of its business. A significant number of these actions have arisen in connection with loan collection proceedings and the Bank has made specific provisions in appropriate cases. In some cases counsel have given opinions as to the Bank's ultimate liability. In others counsel consider it premature to provide any opinion. Taking into account the opinions of counsel, where applicable, and the Bank's experience in prior years the Bank has provided a reasonable amount in the accounts for the eventual resolution of the contingent litigation liabilities.

The Internal Revenue Service (the "IRS") in the United States proposes to reassess the Bank for the years 1978 to 1980 inclusive. The Bank has filed an official protest against this proposed reassessment. It is the view of the Bank's United States Tax Counsel that substantial defences exist as to the adjustments proposed by the IRS, however, it is not possible to determine at this time what the eventual outcome will be. Should the Bank's protest fail there is a possibility of further reassessments for the years 1981 to 1986, the potential magnitude of which are not determinable at this time. The Bank has provided a reasonable amount in the accounts for the possibility of being unsuccessful in its protest.